

SIMONHAI MUNICIPAL POLICE
S. B. REGISTRY.

No. D 6207
Date 25/10/34

Bulletin No.1

MANCHURIA TODAY

INTRODUCTION

Dec. 1934
by
24/10

South Manchuria Railway Co.,
Shanghai Office

October 11, 1934

File No.
1 Oct. 25 1934

Remarks

The present bulletin is an extract from the "Fourth Report on Progress in Manchuria to 1934," which was compiled by Dr. Seiji Hishida, formerly Secretary to President of our Company, and was issued by the Company, June 15, 1934.

This bulletin is designed to present briefly the principal features of the latest situation in Manchuria contained in the said Report. As the Compiler of the above Report says, the information is primarily related to the Railway Zones and the Kwantung Leased Territory. General observation is however, made also of Manchuria as a whole on the *basis of* outside research.

In preparing previous Reports, the Compiler has employed chiefly statistical and other data prepared by the South Manchuria Railway Company, the Kwantung Government, the Chinese Eastern Railway and others. After the foundation of a new empire in Manchuria, the Statistics Office was established in its Government, and the Compiler obtained from the Office necessary statistics for the newly-compiled Report.

Shanghai Office,
South Manchuria Railway Co.

MANCHURIA TODAY

INTRODUCTION

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MANCHURIA TO-DAY

Manchoukuo, in spite of the short period since the establishment of its independence, has made steady progress, disproving the pessimistic observation made by the Lytton Commission to the effect that "there is no indication that this 'Government' will in fact be able to carry out many of its reforms," taking as an example of this alleged inability, the "serious obstacles in the way of the realisation of budgetary and currency reforms." In point of fact, however, the Manchoukuo budget for the first year (1932) showed a net surplus of 15,000,000 yuan, and in that for the second year revenue met expenditure almost without resorting to loan flotation. During the eighteen months since the Manchoukuo Government commenced currency reform, more than 75 per cent. of a most chaotic currency of stupendous amount, issued under the former regime practically without reserve, has been withdrawn and replaced by the new currency backed by specie and reliable securities. Externally, the Government have accepted all foreign obligations which they are faithfully discharging.

While the League was examining the Sino-Japanese dispute with reference to Manchuria, the Chinese delegates in their frequent charges referred to the "puppet Government established by the influence of Japan," stating that the 30,000,000 Chinese in Manchuria were being oppressed, and this charge was propagated by Chinese political leaders and publicists on a world-wide scale. But Manchoukuo was founded as an independent State by the spontaneous movement of the local inhabitants, coupled with an ardent aspiration to restore the Manchu Dynasty in the land of its origin, advantage being taken of the downfall of Chang's oppressive military rule, which was brought about when the Japanese troops acted in self-defence. Moreover, the present Government, organized on sound principles, is unquestionably more efficient and more concerned with the welfare of the inhabitants than were its predecessors. The heavy burdens borne by the peasants of Manchuria under the former military regime in order to support a mercenary army of 300,000 men, on which was spent 80 per cent. of the total revenues, have been lifted from their shoulders by exemption or reduction of several taxes under the new regime.

The people of Manchoukuo, after having enjoyed and

appreciated for nearly two years the benevolent rule of His Excellency the Regent Pu Yi, finally appealed for the enthronement of the Regent as Emperor of the Manchoukuo Empire. This ardent appeal was complied with and the ceremony of the enthronement of the Regent as permanent ruler of Manchoukuo was successfully conducted on March 1, 1934. By the establishment of a monarchial regime, Manchoukuo was more permanently stabilized as an independent State. This step will also allay the suspicion that the establishment of a protectorate or annexation of Manchoukuo to Japan is the ultimate goal of Japanese policy, often entertained in China and abroad. Moreover, the Chinese fear that it might be merely a prelude to the restoration with Japanese military help of the Manchu Dynasty over China south of the Great Wall must be dispelled, because the Manchoukuo Prime Minister, Mr. Cheng Hsiao-hsiu, clearly declared in his announcement before the enthronement that the ascension of the Regent to the position of Emperor, by the will of heaven and in compliance with the wishes of the people, is not to be confused with a restoration of the Ching (Manchu) Dynasty in China.

Japan decided to afford the new State every possible aid for its healthy development, regarding its independence as of vital importance for the peace of the Eastern Asia. The first Imperial Rescript promulgated by His Majesty the Emperor of Manchoukuo, on the very day of the enthronement, solemnly declares:

"Two years have elapsed since the founding of our State under the name of Manchou in accordance with the cardinal principles of Heavenly will and of Love to men, and in reliance upon the aid given by the trusted righteousness of our friendly neighbour."

After referring to the recovery of the country from disturbances and to the reasons for the enthronement, the Rescript indicates as follows the future policy that the new Empire will pursue:

"The difficulties of the country are not as yet wholly eliminated and we dare not for a moment seek ease and comfort. We are hereby set to formulate all the far-reaching designs for the safe-guarding

of Our domain and the future policies for its administration, in close co-operation and harmony with the Empire of Japan."

As stated in the Third Report, the position of Japan, with her rights and interests in Manchuria, has been gradually established by a body of numerous

Special Status of Japan treaties, agreements and contracts, as well as by historical facts, in the course of the last forty years since the Sino-Japanese war of 1894. Acting on her treaty rights, Japan has invested in the region more than ¥2,000,000,000; a million Japanese subjects including Koreans have found homes there; and the Japanese have initiated agricultural and industrial developments with their capital and skill. Japan has also maintained the Leased Territory of Kwantung Province with practically full sovereign rights, and has administered through the South Manchuria Railway the railway areas, including several towns and large sections of such cities as Mukden, Antung and Changchun (now Hsinking), besides maintaining a garrison army and railway guards in the Leased Territory and in the Railway Zones, and consular police throughout the various consular districts in Manchuria. The Lytton report referred to "the exceptional character of the political, economic and legal relation" created between Japan and China in Manchuria, pointing out that probably nowhere in the world was there an exact parallel to this situation, that of "a country enjoying in the territory of neighbouring State, such extensive economic and administrative privileges." Indeed, in Japanese hands this situation has proved the great factor in transforming Manchuria into a land of opportunity, not only for Japanese and Chinese but for the world at large.

What Japan wishes in Manchuria and Mongolia is that her treaty rights and interests should be respected to the fullest extent, so that her people can live and trade in security. It is, however, extremely deplorable that in Manchuria untoward international incidents have been occasioned one after another since Marshal Chang Hsueh-liang succeeded to the power which his father, the late Chang Tso-lin, had long exercised. While the Sino-Soviet dispute respecting the Chinese Eastern Railway in 1929, caused the suspension of a part of the international route

connecting East Asia and Europe for six months, Japan, for her part, was harassed by a number of discomposing incidents, the last of which was the destruction of a part of the Japanese owned South Manchuria Railway near Mukden on the night of September 18, 1931, by Chinese regular soldiers, which compelled the Japanese railway guards to act in defence of Japanese interests and constituted the direct cause of the Manchurian conflict.

When Manchoukuo came into existence as an independent State, the Proclamation of Independence and a Note subsequently sent to the leading powers by the Foreign Minister, expressed the willingness of the Government to respect all rights which foreigners had acquired under the former Chinese treaties. More formally, the Manchoukuo Government have recognized all Japanese treaty rights and interests in Manchuria previously conferred under the Chinese treaties, by the Protocol with Japan, concluded on November 15, 1932, by which Japan in her turn accorded recognition *de jure* to the new State. Thus the new situation guarantees Japan's special position in Manchuria, but at the same time it has augmented her military responsibility. She has to co-operate with Manchoukuo not only in maintaining peace and order in the territory of the new State but also to ensure the security of both nations against external attack, ultimately for the maintenance of peace and order in East Asia.

Japan's policy toward Manchoukuo is to assist the new State in every possible way and to encourage its healthy development. Japanese firms and banking syndicates have already advanced two loans aggregating 50,000,000 *yuan* for currency reform and other reconstruction works in Manchoukuo.

Neither Japan's special position in Manchoukuo nor her relation with the Government thereof, however, has ever threatened the territorial integrity of the new State, or "the principle of the open door and equal opportunity to all nations." The maintenance of these two great principles in Manchuria represents her fixed policy. The statement of the Japanese Government on February 25, 1933, objecting to the League's recommendations with regard to the Sino-Japanese dispute, once again reiterated their "disclaimer of all desire for territorial gains or commercial advantages."

Japan's policy is more positively indicated in this connection in the Imperial Rescript promulgated on March 27, 1933, simultaneously with the formal notification of her withdrawal from the League, which reads:

"Now that Manchukuo has been founded, Our Empire deems it essential to respect the independence of the new State and to encourage its healthy development, in order that the sources of evil in the Far East may be eradicated and an enduring peace thereby established."

In the autumn of 1932, the League of Nations took up again the Sino-Japanese dispute, and the Lytton report was the subject of deliberation by the Council from November 21 and by the Assembly from December 26. The Japanese Government also handed to the Council their observations on the report with a view to providing the League with accurate materials for coming to a fair conclusion on the issues involved. Although Mr. Yosuke Matsuoka, Japanese chief delegate, suggested that the Council should study the report and seek means of conciliation under Article 11 of the Covenant, that body, after hearing the addresses made by the Japanese and Chinese delegates and without inviting discussion by representatives of other member States, transferred the examination of the report to the Assembly.

During the deliberations on the Lytton report before the Assembly, the Japanese delegate defended the Japanese stand frankly but in a sincere and conciliatory spirit. He presented the facts of the Manchurian situation and China's disorganized conditions, to which the mere theoretical application of the provisions of the League Covenant, the Pact of Paris and other international agreements was impossible (although Japan faithfully observed these international instruments), and maintained that peace in the Far East would not be ensured without recognition of Manchoukuo. The Chinese delegation dwelt on the mere theory of the Covenant, the Nine Power Treaty and other international agreements, often accusing Japan of violating these treaties, and urged the League to proceed with the drafting of a report and recommendations under paragraph 4, Article 15 of the Covenant. Among the speakers representative of other powers than the contesting parties,

those of most of the great powers favoured the conciliation procedure under Article 15, paragraph 3 of the Covenant, while the representatives of certain smaller powers took an uncompromising attitude.

Then the Committee of Nineteen, appointed by the Assembly without the concurrence of Japan, drafted on December 15, a resolution and statement of reasons in accordance with paragraph 3, Article 15 of the Covenant. Japan proposed certain modifications of the draft resolution, particularly the deletion of the last paragraph of the draft resolution, particularly the deletion of the last paragraph of the statement of reasons, which declared that "the maintenance and recognition of the present regime in Manchuria could not be considered as a solution." At the same time, she endeavoured to discover some compromise which would enable her to continue her co-operation with the League. After patient negotiation with the Committee of Nineteen, the Japanese delegation finally agreed to the retention of the last paragraph in the statement of reasons on condition that its wording be modified in such a way that it would not appear to constitute a pre-judgment and an attack directed against the policy of the Japanese Government vis-a-vis of Manchoukuo. The Committee finally not only found the Japanese proposal unacceptable, but came to the conclusion that conciliation under paragraph 3, Article 15 of the Covenant was impossible and proceeded with the drafting of a report and recommendations under paragraph 4 of the same article. The Assembly, on February 24, adopted this draft report without any modification in spite of the opposition of Japan. Unhappily, this wide divergence of view relating to the peace of the Far East between the League, on the one hand, and Japan which regards the independence of the State of Manchoukuo and the encouragement of its healthy development as the only solution of the Sino-Japanese dispute, on the other, led Japan to withdraw from the League on March 27, 1933.

The Imperial Rescript issued to the nation simultaneously with the notification of Japan's withdrawal from the League indicates what course Japan will pursue in her foreign policy.

Japan's Policy after
Withdrawal from
the League

Although having withdrawn from the League, she will maintain international co-operation and peace as a member of the "family

of nations," like the United States, the Soviet Union and others. The Imperial Rescript enunciates this point clearly as follows:

".....the advancement of international peace is what, as evermore, We desire, and Our attitude toward enterprises of peace shall sustain no change. By quitting the League and embarking on a course of its own, Our Empire does not mean that it will stand aloof in the Extreme Orient, nor that it will isolate itself thereby from the fraternity of nations. It is Our desire to promote mutual confidence between Our Empire and all the other Powers and to make known the justice of its cause throughout the world."

In his address delivered before the Imperial Diet on January 23, 1934, Mr. Koki Hirota, Minister of Foreign Affairs, after quoting passages from the Imperial Rescript stated:

"Personally speaking, in obedience to the imperial message I am determined to use every ounce of my energy to 'carry out our national policy by diplomatic means in the interest of world peace'."

Then he went on to indicate Japan's attitude toward neighbouring States and to refer to her friendly relations with the United States and Great Britain.

Regarding Manchoukuo, after pointing out that the new State has been making steady progress along all lines of constructive work through the tireless labours of His Excellency the Regent and the Government, and with the whole-hearted assistance and collaboration extended by Japan in the spirit of the Manchoukuo-Japanese Protocol, he emphatically stated that the Japanese Government and people should "exert their efforts unremittingly in assisting the healthy growth of the new State."

The Foreign Minister sincerely hoped for the political and economic rehabilitation of China so that she would be enabled to unite with Japan in performance of the obvious mission of both nations "to contribute through mutual aid and co-operation to the peaceful development of their part of the globe." If China, realizing the mistake of persisting in her anti-Japanese attitude, appreciates Japan's "true

native and gives tangible signs of sincerity," Mr. Hirota said, "Japan would be glad to reciprocate and meet her more than half way in a spirit of good will."

As to Japan's relations with the Soviet Union, the Foreign Minister remarked that normal contact had been maintained between the two countries since the conclusion of the Japanese-Soviet Treaty signed in 1925 at Peking, and that even after the Manchurian Incident there was a thorough mutual understanding between the two powers of their respective positions, so that no difficulty arose. However, he observed that the attitude of the Soviet Union toward Japan of late had undergone a change of some sort and regretted that Soviet leaders were broadcasting "unwarranted criticisms directed against Japan," and circulating exaggerated stories about aggravations, although "Japan has consistently been fair and equitable in its attitude toward the Soviet" before and after the Manchurian Incident. The Foreign Minister said he was certain that before long the Soviet Union would come to appreciate Japan's true intention.

Between Japan and the United States, the Foreign Minister said, "there exists no question intrinsically difficult of solution." He added that as Japan "far from having any thought of picking a quarrel with America, fervently desires American friendship," he was confident that "the United States will not fail to appreciate correctly Japan's position as a stabilizing force in East Asia." He pointed out that "only for a time following the outbreak of the Manchurian Incident, public opinion was aroused against Japan, bringing about something like temporary estrangement of the two peoples," and declared:

"If only America will clearly perceive the actual condition of the Orient, and realize Japan's role as a stabilizing force in East Asia, whatever emotional tension may yet linger between the two peoples is bound to disappear."

He finally expressed the hope that "the two great nations across the Pacific will, in view of their important relations, commercial and otherwise, continue to join forces in cultivating their historical friendship and good understanding so as to keep the ocean forever true to its name."

The Foreign Minister declared his conviction that Japan's traditional amity with the British Empire would remain unshaken and added

".....the two sea Powers, occupying geographically similar key positions, one in the East and the other in the West, can effectually serve the cause of universal peace, through sympathetic appreciation of their respective stands and whole-hearted collaboration in all quarters of the world. It is in this sense that our Government are seeking to readjust whatever conflict of interests relating to questions of trade there may be, and to strengthen further the ties of friendship that bind our empires."

(It was in this spirit that the recent cotton negotiations with India were amicably settled.)

Lastly, the Foreign Minister called the nation's attention to the fact "that Japan, serving as the only corner stone for the edifice of the peace of East Asia," bears heavy responsibilities, on which her diplomacy and national defence must be based. While Japan's national defence is organized in its very nature for defensive and selfprotective purposes, her diplomacy has no claims to put forth save what is legitimate, rational and consonant with her national mission. "This position, in which Japan naturally and actually finds herself," he believed, "will be rightly understood by other Powers."

Peace and Security The maintenance of peace and security in East Asia, which is vital to Japan's existence, has been the fixed policy of the Empire. The Sino-Japanese war of 1894-5 and the Russo-Japanese war of 1904-5 were fought in Manchuria, and the Japanese nation, in each of these conflicts, was forced to risk its very existence in averting the imminent peril to the Empire. Inasmuch as any serious disturbance in Manchuria, where Japan maintains a special position, will effect the peace in the Far East, the Japanese Government and their representatives at Geneva strongly contended that peace and security in the Far East would not be maintained without the recognition of Manchukuo. Simultaneously with the outbreak of the Manchurian Incident, Japan's troops first acted in self-defence in protecting her lives and property

and later in co-operation with Manchoukuo tropps in order to establish peace and order in Manchuria. The Sino-Japanese Armistice Treaty concluded on May 31, 1933 at Tangku not only put an end to the penetration of Chinese forces beyond the Great Wall but also eradicated at their source the remnants of those irregular forces called "volunteer troops" or "ex-soldiers" who constantly disturbed the peace in Manchuria in secret connection with the former authorities of Chang Hsueh-liang at Peiping. During the Manchurian conflict, from its outbreak in September, 1931 to March 31, 1934, Japanese troops engaged in 1,000 minor operations and 20 major operations against bandits and volunteer soldiers, sustaining total casualties of 12,000 officers and men killed and wounded and incurring an expenditure of \$370,000,-000. The Japanese and Manchoukuo military authorities believe that since the "volunteer soldiers" and most of the professional bandits have been practically suppressed, the majority of the remaining bandits can be eliminated within a few years by peaceful means, such as affording employment to former bandits on the railway and road construction works, which are now being extensively carried out by the Manchoukuo Government.

The Economic Outlook Manchuria has been opened up and developed in the past quarter century by the initiation of foreign capital and skill, specially by the Japanese, in the limited area along the Railway Zone, in urban districts or in sea-ports. However, foreign undertakings and investments were constantly menaced by the local bandits and by the political disturbances often of an anti-foreign character during the former regime, under which development of the greater part of the interior was neglected. On the other hand, the most chaotic currency not only discouraged enterprise among the people but hindered their trade activities.

Since the foundation of Manchoukuo with a well organized Government, peace and order have been gradually and steadily established, a large amount of the paper currency issued under the former regime without substantial reserves has been replaced by the new currency backed by specie or reliable securities, and foreign capital and immigrants have been freely invited without discrimination as to national status. Thus, this newly born State has a bright economic prospect.

For development of its vast territory, Manchoukuo has commenced to improve and expand transportation facilities. The Government set up in March 1933 the ten year programme for the construction of a network of modern highways aggregating 50,000 kilometres at an estimated cost of 85,000,000 yuan, and already 600 miles have been completed within the year. Since Manchoukuo came into existence four railways aggregating 692 kilometres had been constructed up to the end of 1933 and several more are planned to be built in 1934. According to the ten year programme the Government expect to build four thousand kilometres of new railways making a total of ten thousand kilometres, including those lines owned by the State and by foreign nations. In March, 1933 the Government established state ownership of railways by amalgamating various railways but, in order to secure rational and efficient management, assigned the management and operation of the system to the South Manchuria Railway Company which possesses long and continued experience of railway operation in South Manchuria. The Manchoukuo Government carefully studied the possibilities of developing the country and finally announced on March 1, 1933, a fundamental programme of economic construction, to be carried out within ten years. This programme provides for proper guidance and encouragement of agriculture, mining, forestry, industry and commerce including transportation facilities. The Government expect that by this programme the present total of production, amounting to 3,000,000,000 yuan, will be doubled possibly within less than ten years.

With the independence of Manchoukuo, the 30,000,000 inhabitants of the new State have been brought under the benevolent rule known as "Wangtze" (the Kingly Way). The Law for the Guarantee of Civil Rights, promulgated on March 9, 1932, guarantees the personal liberty and private property of all Manchoukuo citizens regardless of race or religious creed, contrary to the old regime. Contrary to the unlawful economic oppression under the former chaotic currency system, the people can now enjoy more purchasing power with the new currency backed by specie and reliable security. The heavy tax burden imposed on the people under the former regime for military activity and political strife has now been

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lifted from their shoulders by the exemption or reduction of various taxes. Under the new regime the items and rates of taxes are provided in the law, and the Government cannot impose any additional tax beyond the provisions of the law. The modernization of laws and the reform of the courts, which are now guaranteed against military and executive intervention, give the people at large a sense of security and a certainty of justice. The Manchoukuo Government have paid serious attention to education which was left in a rather neglected condition under the former regime. About 90 per cent. of the people were left in a state of illiteracy owing to lack of funds, as over 80 per cent. of the revenues had been spent on military activities. The Government are planning to set up a sound educational system based on the spirit and policy of the new State, the principles of Li Chiao or Confucianism, with the object ultimately to build up a solid nation. In the meantime, the authorities concerned are training proper teachers and compiling new text books for inculcating these principles, instead of using text books and teachers propagating anti-foreign movements as under the old regime.

Finally, the enthronement of His Excellency the Chief Executive as Emperor of Manchoukuo symbolizes and will guarantee the permanence of the benevolent rule under which the welfare of people has already been secured.

6207
11/11/34

Bulletin No. 2

M A N O H U R I A T O D A Y

JAPANESE JURISDICTION

South Manohuria Railway Co.,
Shanghai Office.

October 26, 1934.

Remarks

The present bulletin is an extract from the "Forth Report on Progress in Manchuria to 1934," (originally Chapter VI), which was compiled by Dr. Seiji Hishida, formerly Secretary to President of the South Manchuria Railway Company, and was issued by the Company, June 15, 1934.

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Shanghai Office,
South Manchuria Railway Company.

Bulletin issued:

No.1 "Introduction"

This bulletin deals with such items as follows:

1. Manchoukuo
2. Special Status of Japan
3. The Manchurian Incident and the League
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MANCHEURIA TODAY

JAPANESE JURISDICTION

General Remarks

Japan today exercises jurisdiction within the frontiers of Manchoukuo only in the Leased Territory called Kwantung Province, and in the Railway Zone of the Dairen-Hsinking (former Changchun) and the Antung-Mukden lines conducted by the South Manchuria Railway, that is to say, in exactly the same area as before the establishment of the new State. The combined area of the Leased Territory and the Railway Zone is about 3,752 sq. km. or 1,400 sq. miles.

Historically speaking, Kwantung Province, including Port Arthur and Dairen, was part of the territory of the Liaotung Peninsula. The peninsula itself is the territory south of a line drawn from the mouth of the Yalu river to Newchwang through Fenghuang and Haicheng, covering an area of about 10,600 square miles, which was ceded in 1895 to Japan by the Shimonoseki Treaty, but restored to China in consequence of the Russian intervention supported by Germany and France. Three years later Kwantung Province was leased to Russia, on March 27, 1898, for 25 years, subject to extension by mutual agreement, and Russia built a railway from Harbin to Dairen as a branch of the Chinese Eastern Railway. By the Treaty of Portsmouth, 1905, the lease of Kwantung Province and the railway from Changchun to Dairen and Port Arthur were transferred to Japan. These transfers were subsequently confirmed by China, and in 1915 it was agreed that the lease should be extended to 99 years from the date of the original lease of the territory. That is to say, the term of this lease will expire in 1997. The terms of the South Manchuria Railway Company's lease of the Dairen-Changchun and Antung-Mukden lines were also extended to 99 years from the original date of lease, and the respective Railway Zones will remain under Japanese control until the years 2002 and 2007.

By the Sino-Japanese Treaty and Notes of 1915, Japan also obtained the rights for Japanese subjects to lease

land, to engage in coal-mining enterprises, and certain other rights in Manchuria. China, however, sought the abrogation of the treaties of 1915, at the Paris Peace Conference in 1919, on the ground that they were imposed by force. The Chinese claim, however, had small direct concern with the purpose of the Conference, which was to formulate the terms of a treaty of peace with Germany and her allies, and it was, therefore, not taken into serious consideration. A Chinese delegate at the Washington Conference in 1921-2 again urged that "the Treaties and Exchange of Notes of 1915" be "reconsidered and cancelled." A Japanese delegate answered that "Japan has no intention at present to relinquish the important rights of the leaseholds which she has acquired lawfully and at no small sacrifice," and that "the question of the validity of the Treaty or Agreements of 1915, or the change or abrogation thereof," is "one to be taken up between Japan and China, if it were to be taken up at all, and not at this conference." Baron Shidzara, another Japanese delegate, also stated that "if it should once be recognized that rights solemnly granted by treaty may be revoked at any time on the ground that they were conceded against the spontaneous will of the grantor, an exceedingly dangerous precedent will be established, with far-reaching consequences upon the stability of the existing international relations in Asia, in Europe, and everywhere."

Prior to the Manchurian Incident, the Chinese authorities in Manchuria, impelled by the "Rights Recovery" mania, went to extremities in attempts to nullify existing international agreements by means of legislative or local administrative measures, and often by resort to illegal action. These movements of the Chinese raised many issues, particularly with the Japanese, of railway and residential rights, leaseholds, unjust tariffs and taxation, and produced deplorable incidents, the last of which was the destruction of a part of the South Manchuria Railway near Mukden on the night of September 18, 1931, by Chinese regular soldiers, which constituted the direct cause of the recent Sino-Japanese hostilities.

In the Manchoukuo Proclamation of Independence and the Note of the Foreign Minister subsequently sent to foreign powers, the new Government pledged their succession to valid foreign obligations within the limits of the State of Manchoukuo, and their intention faithfully to discharge

those obligations. Furthermore, the Manchoukuo Government by the Manchoukuo-Japanese Protocol concluded on September 15, 1932, confirmed all rights and interests possessed by Japan or her subjects within the territory of Manchoukuo by virtue of former Sino-Japanese treaties, agreements or other arrangements or of Sino-Japanese contracts, private as well as public. By this protocol, Japan assumed military responsibility in co-operation with Manchoukuo for maintaining peace and order in the territory of Manchoukuo as well as for maintaining the security of the two nations. After this protocol recognizing the Manchoukuo independence was concluded, the Japanese Government established their permanent Embassy at Hsinking, the capital of the new State, on October 1, 1932.

Unification of the "Four-headed System" in Japanese Jurisdiction

Prior to the establishment of the Japanese Embassy in Hsinking, the Governor of Kwantung Province (Leased Territory), a civil appointee, exercised (1) administrative and judicial jurisdiction in the Province, (2) control of the police in the Leased Territory and the Railway Zone, and (3) supervision of the business of the South Manchuria Railway Company, while the Commander-in-Chief of the Kwantung Army controlled the garrison troops and railway guards. In addition to this, the Japanese consular authorities exercised consular jurisdiction outside the Leased Territory in virtue of Japan's extraterritorial rights, and the South Manchuria Railway, participating in local administration, conducted education, sanitation and public works services within the Railway Zone.

Following the outbreak of the Manchurian Incident and the subsequent establishment of Manchoukuo, it was felt better to unify the direction of the different Japanese jurisdictions in Manchuria in order to promote more efficiency and harmony. This unification was also necessary to maintain harmony with the Manchoukuo Government, specially after Manchoukuo co-operated with Japan in maintaining peace and order by the terms of the Protocol, and the Japanese and Manchoukuo telegraph and telephonic systems were amalgamated and brought under the management of a corporation called the Manchou Tele-Telephonic Joint Co. The idea of bringing all Japanese Government offices in

Manchuria under one direction had been urged for some years in Japan, and in the summer of 1932 the first steps toward its realization were taken.

Lieut.-General Shigeru Honjo, having faithfully discharged his duties as Commander-in-Chief of the Kwantung Army, especially since the Manchurian outbreak of September 1931, was relieved in August, 1932 and promoted to the post of Military Councillor in Japan. General Nobuyoshi Muto succeeded him as Commander-in-Chief of the Kwantung Army, and was concurrently appointed as Ambassador to Manchoukuo and Governor of the Kwantung Leased Territory. In choosing General Muto, a man of high personal character, wide experience and great tact, the Japanese Government expected him to be able to guide the smooth working of a new machine bringing together the four groups of jurisdiction and their staffs. In discharging his duties as Commander-in-Chief of the Kwantung Army, he was subjected to the supervision of the Minister of War and the Chief of the Military General Staff. When he exercised the civil administration in Kwantung Province, including police administration in the Railway Zone, as Governor of Kwantung, he was responsible to the Minister of Overseas Affairs in Japan. As Ambassador to Manchoukuo, he administered foreign affairs and supervised the Japanese consulates in Manchoukuo, acting upon instructions of the Foreign Minister in Tokyo. The Organic Law of the Kwantung Government and that of the Kwantung Army, however, remained in force without any change. The local administration in the Railway Zone--education, sanitary and other public works of the S.M.R.--was to be conducted as hitherto by the Company.

Shortly after his inspection tour of the Japanese military garrison and administrative offices in South Manchuria, General Muto was taken seriously ill, and he died on July 28, 1933 at Hsinking. One day before his death was announced, the Imperial Court, in recognition of his meritorious services to the State, had created him a Baron and decorated him with the Grand Cordon of the Rising Sun. His death was lamented not only in Japan but also in Manchoukuo in which construction work was in course of steady progress thanks to his sympathetic assistance. Field Marshal Muto's service in Manchoukuo, though its duration was less than a year, contributed considerably to the suppression of banditry and to assist-

ing the internal reforms of the new State. Indeed, the term of his office concluded on May 70, when he was in active service, specifically cut off the root of the menace from outside of the Manchoukuo border. He was succeeded by General Takashi Hishikari who was similarly appointed Commander-in-Chief of the Kwantung Army, Governor of the Kwantung Leased Territory and Ambassador to Manchoukuo.

The Kwantung Army

The Japanese garrison troops and railway guards in the Kwantung Leased Territory and the Railway Zone were originally commanded by the Governor-General who had also control of the civil administration in these regions. Since the Governor-General was replaced in 1919 by the Governor of Kwantung, a civil appointee, the military power formerly possessed by the Governor-General was vested in the Commander-in-Chief of the Kwantung Army, a post created by the Organic Law of the Kwantung Army issued on April 11, 1919. The Commander-in-Chief who was a direct appointee of His Majesty the Emperor and who originally was to be a General or Lieut.-General of the Japanese Army, was vested with the command of the Japanese garrison and railway guards and empowered to protect Japanese railways in Manchuria. With regard to the military administration and personnel of the Kwantung Army, the Commander-in-Chief was responsible to the Minister of War, but he was responsible to the Chief of the General Staff for the mobilization of troops. The Commander-in-Chief was authorized, in compliance with the request of the Governor of Kwantung, to despatch troops necessitated for the preservation of peace and order in the region under the Governor's jurisdiction and of the Railway Zone, but he was empowered to take independent action in a case of emergency in which there was no time to receive the Governor's request, and he reported on such action to the Minister of War and the Chief of the General Staff.

Prior to the Manchurian Incident, the Kwantung Army maintained one division of garrison troops and six battalions or less of railway guards, and its annual expenditure was about ¥16,000,000. Since the outbreak of September, 1931, the Japanese Treasury spent over ¥370,000,000 up to the end of the fiscal year, 1933--¥54,700,000

in 1931, Y177,500,000 in 1932 and Y138,300,000 in 1933. In virtue of the Manchoukuo-Japanese Protocol concluded in September 1932, Japan fulfills the responsibility of military co-operation by stationing Japanese troops in any places in Manchuria which may be necessary for the maintenance of peace and order or for the national security. Furthermore, the Manchoukuo Government have assigned to the South Manchuria Railway the operation and management of their railways of 3,000 kilometres, which require adequate railway guards.

Under such new conditions, the Kwantung Army has to provide an increase of garrison army and railway guards.

The Kwantung Government

As stated in the previous section, the Governor-General of Kwantung Province was replaced by the Governor of Kwantung, a civilian official, in April, 1919. Baron Gen-ichi Hayashi, who once served as Ambassador to Great Britain, was appointed as the first civilian governor of Kwantung Province. But Cabinet changes in Japan have often necessitated a change in the governorship, so that nine governors have functioned during the past fourteen years until Marshal Nobuyoshi Muto, the Commander-in-Chief of the Kwantung Army and Ambassador to Manchoukuo, was appointed also Governor of Kwantung Province in August, 1932. It should be noted that when the Commander-in-Chief of the Kwantung Army acts as Governor of Kwantung it is in a civil capacity, according to the Organic Law of the Kwantung Government. The functions of the Governor and the organization of the Kwantung Government which were provided for in the Organic Law of the Kwantung Government, remain in force without any change.

The details of the government organization were fully stated in the previous Report and the following diagram shows the present organization of the Kwantung Government, and the functions of the bureaux, sections and various institutions maintained by it:-

Government of Kwantung Province

March 31, 1933.

(Private Secretaries Section
(Secretaries Section
(Finance Section (temporary)
(Foreign Affairs Section
(Bldg. of Councillors

(Local Administration Section
Home Affairs Bureau.....
(Education Section
(Industrial Affairs Section
(Civil Engineering Section

(Police Affairs Section
(High Police Section
(Peace Preservation Section
Police Administration Bureau.....
(Penal Affairs Section
(Sanitation Section

(Accounts Section
Finance Bureau.....
(Tax Section
(Financial Section

Local Administration Offices.....
(Primary Schools
(Schools for Natives
Courts of Justice.....
(Court of Cassation
(High Court (Court of Appeal
(Local Court

Procurators' Offices.....
(Court
(Procurators' Office for High
(Court

(Post Offices
Communications Bureau.....
(Branch Post Offices
(Telegraph Sub-stations
(Telegraph Sub-stations
(Telephone Offices
(Telegraph Agencies

Prisons..... Branch Prisons

Marine Bureau..... Branch Marine Offices

Government of Kwantung Provinces(Cont.)	Schools.....	(Port Arthur Engineering
		(College
		(Middle Schools
		(Girls' High Schools
		(Normal School (for Natives)
		(Commercial Schools (for Natives)
		(Agricultural Schools (for Natives)
		(Police Training School
Meteorological Observatory. Branch Observatories		
Government of Kwantung Provinces(Cont.)	Government Hospitals.....	(Port Arthur Hospital
		(Port Arthur Women's Hospital
		(Port Arthur Isolation Hospital
		(Dairen Women's Hospital
		(Dairen Isolation Hospital
Government of Kwantung Provinces(Cont.)	(Agricultural Experimental Station	
	(Sericultural Experimental Station	
	(Stud Farm	
	(Stock Breeding Station	
	(Aquatic Products Experimental Station	
	(Exchanges (Produce, Currency, etc.)	
	(Opium Monopoly Office	
	(Asylum for Opium Smokers	
(Museums		

Kwantung Government Finances

The finances of the Kwantung Government since the government-general was first established in 1906, have been under a special account of the Japanese Treasury. The principle is that the government expenditure is defrayed from the revenue derived from this province and, if any deficit should occur, it is to be met with a grant from the Imperial Treasury of the Home Government, the object being gradually to place the finances of the Kwantung Government on an independent footing. The following table shows the growth of annual expenditure and revenue for the last twenty-six years, together with the annual grant from the Imperial Treasury, amounting to from two to five million yen each year:

Revenue

	Taxes and other Re- ceipts in yen	Grant from Treasury	Surplus of Preceding year	Total Trans- ferred	Total Reve- nue	Total Expendi- ture
1907-8..	1,273,472	3,000,000	-	4,273,472	3,451,487	
1912-3..	1,887,141	3,122,500	1,153,129	6,162,770	5,359,503	
1917-8..	3,645,827	2,007,000	2,072,397	7,725,224	4,612,985	
1922-3..	12,032,925	4,300,000	3,011,051	19,343,976	15,217,555	
1927-8..	13,760,290	4,000,000	4,441,316	22,201,606	16,985,029	
1928-9..	17,261,544	4,000,000	5,216,576	26,478,120	20,854,932	
1929-30..	17,770,858	4,550,000	5,623,187	27,944,045	22,576,468	
1930-31..	15,793,564	4,000,000	5,367,576	25,161,140	19,870,876	
1931-2..	15,632,798	3,700,000	5,290,264	24,628,062	20,898,536	
1932-3..	22,363,512	4,000,000	3,729,526	30,113,038	22,937,649	
1933-4..	19,903,338	5,000,000	1,116,576	26,024,914	26,024,914	

¹ Budget Estimate.

The annual grant from the Japanese Treasury shows a tendency to increase, specially in recent years, which is due to the extraordinary expense of maintaining police on special service following the Manchurian Incident of September 1931.

Japanese Police Administration

The Japanese police administration in South Manchuria was inaugurated when the region was under military occupation during and after the Russo-Japanese war. Simultaneously with the establishment of the government-general in July, 1906, in Kwantung Province, the police administration was limited to the Leased Territory and the Japanese Railway Zone, where the Governor-General was responsible for the protection of the South Manchuria Railway lines. A police director-general acted under the control of the Governor-General. In order to maintain communication and harmony between the Railway Zone authorities and Japanese consular officers outside the Railway Zone, the consular officials were appointed in January, 1906, as ex-officio the police authority of the government-general. During the European war, the need for more effective maintenance of peace and order in Manchuria being felt, gendarme officers of the

Army Corps acted ex-officio in important police posts. When the Governor-General in 1919 was replaced by the civil Governor of Kwantung, all important police officials again became civil appointees. From then onwards, there were three systems of police administration,--the police of the Kwantung Government in the Japanese Leased Territory and the Railway Zone, the gendarmes of the Kwantung Army, and the police maintained by the Japanese consulates outside the Railway Zone.

The necessity for uniform control of the different police systems was felt and studied for some time, specially after the Japanese Embassy was created in Manchoukuo. The question of uniform control of the Japanese police system in Manchuria has been finally settled and the Embassy made an announcement on January 29, 1934, as follows:

The Japanese consular police in Manchuria have been co-operating with the gendarmes and the police of the Kwantung Government since the outbreak of the Manchurian emergency, but in view of the pressure of business, the Japanese Embassy has decided to increase the consular police force, entrusting the command of the consular police to the commander of the gendarmes of the Kwantung Army, and engaging the services of gendarmerie officers and officials of the Kwantung Government as members of the staff of the Japanese Embassy. By this change of the system, closer co-operation will be maintained among the consular police, the gendarmes and the police of the Kwantung Government.

Japanese Law Courts

With regard to the administration of justice in Kwantung Province, Japan originally decided not to recognize foreign jurisdiction, following the practice in leased territories adopted by other powers in China Proper. By Imperial Ordinance No. 198, promulgated on July 31, 1906, the Totokufu-Hoin (Courts of Justice) were established under the direct control of the Governor-General (the Governor of Kwantung since 1919) to adjudicate in all civil and criminal cases, irrespective of nationality, in the Leased Territory. This regulation established a two-trial system, which was modified at a later date to the

three-trial system in vogue in Japan. The Courts of Justice consist of a High Court and a Local Court. The High Court is divided into the Cassation Department (Court of Cassation) and Appeal Department (Appeal Court). In the beginning, the administration of justice was based partly on the Japanese Civil and Criminal Codes and partly on local laws and usages, but since the judicature ordinance of the Kwantung Province was issued in 1909, the laws of Japan have been applied in general. Chinese usages, however, are often observed in cases relating to the family, succession, bankruptcy, criminal and other actions. While registration matters are administered by the District (or lowest) Court in Japan proper, these matters in the Leased Territory are conducted by the local administrative offices.

Judicial cases within and outside the South Manchuria Railway Zone are under consular jurisdiction in accordance with the provisions regarding extraterritoriality of the former Sino-Japanese Treaty. But appeal or cassation cases come before the High Court in the Leased Territory, except those cases originating in the Chientao District, on the Korean border, which come before the High Court in Keijo, Korea.

Since Manchoukuo has become an independent State, the Government, though provisionally adopting the former Chinese judicial system as well as civil and criminal laws, have taken steps seriously to reform the judicial system and jurisprudence in co-operation with Japanese advisers. Should the Manchoukuo law courts and laws develop to a stage commanding the confidence of civilized nations, Japan will initiate the recognition of the judicial autonomy of Manchoukuo by withdrawing her consular jurisdiction.

Japanese Postal and Communications Service

The communications system in South Manchuria was first established by the Japanese military authorities during the Russo-Japanese war. Soon after the establishment of the Government-General of Kwantung, the administration of the system was transferred to its Communications Bureau established in Dairen, the Chief of the Bureau taking charge of affairs relating to posts, telegraphs, and telephones principally in the Leased Territory and the

Railway Zone. The history of the Japanese post, telegraph and telephone systems, and their remarkable progress, were fully outlined in former Reports.

With a view to harmonizing the two different systems of communication, the Japanese system in the territory under Japanese jurisdiction and Manchoukuo's national telegraph and telephone system, the Manchoukuo and Japanese Governments made an agreement on May 15, 1933, to unify the two systems for more rational management by establishing a joint Manchoukuo-Japanese Communication Company.

Educational, Hygienic and Other Services

In the League Territory and Railway Zone, where more than 80 per cent. of the total population, numbering 1,291,000, are Mandarins, natives about ¥8,000,000 has been spent annually for education by the Kwantung Government and the South Manchuria Railway Company. ~~The Kwantung Government and the South Manchuria Railway Company.~~ The Kwantung Government also looks after hygiene and sanitation in co-operation with the Railway Company, and undertakings for the encouragement of agriculture and industry in the League Territory and Railway Zone are conducted by both authorities. These educational and hygienic services, as well as measures for agricultural and industrial encouragement, will be treated later in separate chapters under the respective headings.

The South Manchuria Railway

The South Manchuria Railway Company has played an important part in the development of Manchuria. Indeed the story of this corporation is, to a great extent, the story of the progress in Manchuria after the Russo-Japanese war.

Beside its expensive railway undertakings in South Manchuria, which constitute the main business, the Company conducts, as accessory enterprises, coal mines, wharves, warehousing, hotels and other activities. The Company is also engaged in educational, hygienic and other public works within the Railway zone; it controls a number of joint-stock companies, iron works, electric and gas plants,

chemical works, shipping and dockyard companies, express undertakings, etc., chiefly in South Manchuria, and acts as a holding company for these concerns. The Company in the past furnished loans for the construction of the former Chinese railways in Manchuria and occasionally constructed them on contract. After Manchoukuo became independent, the Manchoukuo Government took steps to establish a State railway system by nationalizing the former Chinese railways which were operated at considerable loss. With a view to promoting economic and technical efficiency by rational management, the Manchoukuo Government in March, 1933, assigned the operation of their railways to the South Manchuria Railway which has long experience in railway operation in Manchuria. This corporation also increased in March, 1933 its capital to almost double, from ¥440,000,000,000 to ¥800,000,000 of which ¥512,208,000 was paid up, the aggregate assets in its balance sheet amounting to ¥1,427,273,000 in December, 1933. The functions of the corporation and the volume of its business are possibly the largest of their kind in the Orient, and in some respects, are unsurpassed by any other concern in the Pacific area. The mission of the South Manchuria Railway described by its first President, Baron (later Count) Goto in 1906 is the same today. The Baron's statement ran as follows:

".....though the total length of the railways to be operated by the Company was a little less than 700 miles, their position constituted a link in world communications, and provided international business facilities, not only for the Orient but also for the world at large. The policy of the Company should be in conformity with the will of the Government and the shareholders, but should give greater weight to the general wishes of business men at home and abroad. More particularly should a spirit of co-operation with the Chinese (now Manchoukuo) authorities and people be cultivated."

The S. M. R. Organization

The formation and organization of this corporation and its history were fully treated in the former Report. The South Manchuria Railway Company came into existence by a special charter and order of the Government, but essentially

as a joint-stock company organized in conformity with the provisions of the Commercial Law of Japan. It is a chartered corporation like the Bank of Japan or other chartered companies. Certain foreign observers have often asserted that the South Manchuria Railway Company possessed diplomatic powers in so far as it negotiated formally with Chinese or Russian authorities with regard to agreements or contracts relating to railway matters. But such negotiations were always conducted with the approval or permission of the Japanese Government. The present President, Count Hirotaro Hayashi, was appointed in June, 1932, when the former President, Count Yasuya Uchida resigned and was appointed Foreign Minister in Japan. The organization of the South Manchuria Railway Company, as it existed on May 1, 1933, is shown in the following summary:

	(Secretariat
	{ Documentary
	{ Personnel
	{ Intelligence Office
	(Supervisor
	{ Auditor of Subsidiary Corporations
(General Management Department.....	{ Private Secretary to President
	(New York Office
	{ Peiping "
	{ Chengchiatun "
	{ Kirin "
	{ Taonan "
	{ Tsitsihar "
	{Enterprising Office
	{ Technical Supervisor
Planning Department.....	{Central Laboratory
	{Geological Institute
	{Manchurian Resources Museum
(Finance & Accounts Department	{Finance Office
	{Accounting Office

Railway Department.....	(General Affairs Office Railway Accounting Office Traffic " " Operation " Mechanical Engineering " Civil Engineering " Harbour " Electric Engineering "
	Dairen Railway Division Office Huludan " " Hsinking " " Wharfs Office Hotel Railway Workshop Special Kawasaki Construc- tion Office
	(General Affairs Local " Education Commerce & Industry Agriculture Sanitation Construction Works
Local Administration Depart- ment.....	Local Administration Offices at Wafangtien, Tashihohiao, Yingkou, Anshan, Liaoyang, Huludan, Tiching, Kaiyuan, Ssipingkai, Kungchuling, Hsinking, Peochifu and Antung. Hospitals at Dairen, Wafang- tien, Tashihohiao, Yingkou, Anshan, Liaoyang, Tiching, Kaiyuan, Ssipingkai, Hsink- ing, Xirin, Peochifu, Antung, and Fushun.
	Manchuria Medical College Manchuria Teachers' College South Manchuria Technical College

Local Administration Department(Cont.)	(Middle Schools		
	(Dairen Library		
	(Mukden Library		
	(Agricultural Experiment		
	(Station		
	(Animal-Disease Research		
	(Institute		
	(Manchuria-Mongolia Re-		
	sources Museum		
	(Hygienic Institute		
(General Affairs Office	"		
	(Coal Sales		
	(Pig Iron Sales		
	(Purchasing & Stores		
	(Supplies		
Sales & Supplies Department	(Dairen District Sales Office		
	(Mukden	"	"
	(Yingcow	"	"
	(Keijo	"	"
	(Antung	"	"
	(Hsinking	"	"
	(Seupinghai	"	"
Fushun Collieries			
Taitsihar Office			
Tokyo Branch Office			
Shanghai Office			
Economic Research Committee			
Railway Construction Bureau			
General Management Bureau of Manchoukuo State Railways			

The organization and management of the Manchoukuo State Railways which has been entrusted to the South Manchuria Railway since March 31, 1933, will be treated later in the general chapter on Communications.

S. M. R. Finance

The authorized capital of the Company was originally ¥200,000,000, of which the equivalent of ¥100,000,000 was furnished by the Japanese Government by turning over to the Company all its property in railways and coal mines and their appurtenances, which had been transferred from

Russia by the Treaty of Peking, 1901. The other half was offered for subscription to the Chinese Government and the Japanese and Chinese public when the Company was formed in 1906, but this offer was not accepted by the Chinese. With the necessary development of its activities, especially after the European war, the Company in 1920 increased its capitalization from ¥200,000,000 to ¥440,000,000. The Government again increased its holdings by ¥120,000,000, or half of the increased capital, by taking over three debentures issues which the Company had floated on the London market: £4,000,000 at five per cent., £2,000,000 at five per cent., and £6,000,000 at four and one-half per cent. interest, totalling £12,000,000. At the general meeting held on March 6, 1933, the Company increased its capital from ¥440,000,000 to ¥800,000,000. The Government also increased its holding by half of the increased capital, leaving the other half to the general public.

The Company was originally authorized to issue debentures to the amount of the unpaid share capital belonging to other than Government holders. By Imperial Ordinance No.4, of 1910, this amount could be increased to twice the amount of all paid-up share capital, but could not exceed the amount of the authorized capital.

The financial policy of the Company in the first stage was to raise funds for its undertakings by issuing debentures rather than by floating new shares. Finding the most favourable market in London, four issues of debentures, aggregating £14,000,000, were floated there in succession during the four years ending January 3, 1911. Of these debentures, £12,000,000 were, as previously stated, taken over in 1922 by the Government in payment for its holdings of share capital, and the remaining £2,000,000 was again taken over by the Government when the first payment of the increased capital was called in 1933. Since 1917 debentures of the Company have been mostly issued in Japan. The debenture issues for the last twenty-six years up to March 31, 1933, aggregated ¥800,434,000, of which ¥410,907,-000 had been redeemed, leaving ¥389,527,000 outstanding.

S. M. R. Investments and Accounting

The Company started its undertakings in 1907 with estimated funds of ¥100,000,000, of which ¥80,000,000 was

raised by floating bonds in England and ¥20,000,000 by calls on shares.

The funds thus raised have been invested in various enterprises. During the last twenty-six years, ending March 31, 1933, the investment in direct undertakings aggregated ¥758,000,000, as shown by the table below:

	<u>1907-8</u>	<u>1912-3</u>	<u>1917-8</u>
Railways.....	34,542,910	97,113,296	105,530,752
Workshops....	763,906	6,048,094	7,569,359
Steamships...	-	3,385,357	2,680,317
Harbours.....	6,640,837	14,779,320	24,099,384
Coal Mines... 46,396,043	56,469,164	71,097,985	
Shale Oil Plant	-	-	4,447,760
Iron Works...	-	-	
Chemical Fertilizer Plant.	-	-	
Electricity..	474,695	5,002,052	5,738,182
Gas.....	7,92	1,170,495	1,554,778
Hotels.....	216,302	1,342,106	2,075,006
Public Works.	3,374,494	11,022,573	17,786,171
Others.....	9,459,178	18,544,224	21,782,973
Total.....	101,871,957	214,376,681	263,362,667

	<u>1922-3</u>	<u>1932-3</u>
Railways.....	189,616,304	273,663,240
Workshops....	11,068,325	-
Steamships...	3,559,874	-
Harbours....	37,064,308	87,837,479
Coal Mines... 121,056,784	108,911,044	
Shale Oil Plant	-	7,922,554
Iron Works... 34,541,803	29,359,840	
Chemical Fertilizer Plant.	-	30,340
Electricity..	15,237,405	-
Gas.....	5,434,140	-
Hotels.....	2,370,222	4,862,405
Public Works.	40,863,288	180,171,521
Others.....	46,074,005	65,649,597
Total.....	506,686,458	758,428,620

Beside the investment in these direct undertakings, the Company invested over ¥159,273,000 as loans chiefly in the former Chinese (now Manchoukuo) railways and over ¥120,000,000 chiefly in shares of affiliated corporations

and other securities.

The growth of these enterprises is shown by the following table of receipts, expenditures and net profits:

<u>Fiscal Year</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Profits</u>	<u>Percentage of expen- diture against receipts</u>
<u>Ending March 31</u>	<u>Yen</u>	<u>Yen</u>	<u>Yen</u>	
1907-8..	12,543,116	10,526,531	2,016,585	84
1912-3..	33,546,477	28,620,433	4,926,045	85
1917-8..	69,429,252	54,503,610	14,925,643	79
1922-3..	169,956,646	134,876,402	35,080,244	79
1929-30..	240,998,062	195,492,205	45,505,857	84
1930-31..	188,104,062	166,430,600	21,673,462	88
1931-32..	187,054,402	174,455,782	12,598,620	93
1932-33..	245,940,674	184,652,950	61,287,725	75

The net profit of the Company for the year 1907 was ¥2,000,000. It had increased to ¥45,000,000 twenty-three years later, in 1929, the record year. But, as will be seen, it fell to ¥21,000,000 in 1930 owing to a falling off in the silver market. The profit for 1931 was lower still, reaching only ¥12,000,000, owing to the world depression and the Manchurian Incident. However, 1932 was again a record year, the profit amounting to ¥61,000,000. The railways furnish the most important item of revenue, the profit amounting to ¥65,000,000 in the last account, surpassing by far the net profit of the Company. Other enterprises of the Company to date are conducted at a loss or a nominal profit, but are designed for the public benefit and to develop traffic for the railway. The expenditures for local public works such as schools, hospitals, street and road-building, industrial encouragement and agricultural model farms, etc., were more than ¥14,600,000, and the receipts less than ¥5,800,000 in the last account. The following table shows the profit and loss account of the Company for the fiscal year ending March 31, 1933:

	<u>Receipts</u>	<u>Expenditures</u>	<u>Profits & Loss</u>
Railways.....	103,846,512	50,795,647	65,050,865
Hotels.....	1,837,440	1,912,651	- 88,211
Harbours.....	11,405,650	8,360,610	3,039,453
Coal Mines.....	55,615,768	54,958,562	127,806
Shale Oil Plant	4,107,771	3,655,577	538,027
Iron Works.....	10,710,711	11,611,006	-3,900,226
Local Public Works.....	4,824,183	16,511,465	-11,687,282
Interest on De- posits and Loans.....	52,241,130	-	52,241,130
Interest on De- bentures.....	"	21,020,452	-21,020,452
Overhead Charges	1,796,688	13,305,062	-11,508,394
Sundry Profit & Loss.....	"	11,504,795	-11,504,795
Total.....	1940,674	184,658,950	61,237,725

During the past twenty-six years, the capital reserve, the liquid assets and other funds have been gradually increased, and aggregated about ¥173,000,000 at the end of the fiscal year closing March 31, 1933. On the other hand, more than ¥181,000,000 in the investment account has been written off in the same period for depreciation of the Company's property. It will thus be seen that the financial standing of the Company remains on a sound basis, despite the severe depression of recent years.

Railway Undertakings

The South Manchuria Railway Company, in that it owns and operates railway lines running for seven hundred miles through the heart of South Manchuria, with a terminal at the highly improved port of Dairen, connecting with railways running to China proper, Korea and westward to Europe, is playing a part in international traffic service as significant as that of the Trans-Siberian Railway, the Suez Canal or the Panama Canal. The Company's investments for this railway aggregated more than ¥273,000,000 up to the end of the fiscal year ending March 31, 1933. The gross revenue for the year was ¥103,846,000, expenditure ¥38,795,000, and profits ¥65,050,000, or about ¥57,715 per kilometre. These figures reveal the fact that in efficiency and earning capacity the S. M. R. probably surpasses

the leading railways in America, Europe, or Japan. But, owing to the heavy investment of capital in the form of debentures and in the various services for sanitation, education, and other public works, the profits of the Company as a whole are considerably diminished.

During the last twenty-six years, there has been a remarkable growth of traffic on the South Manchuria Railway, despite all obstacles to progress, the constant activities of Manchurian bandits, the frequent threat of civil war and the recent Manchurian Incident. The number of passengers carried in 1929 was a record. The stupendous increase of freight, though augmented each year by shipments of coal mined by the Company itself, is due to the ever-increasing agricultural produce, especially the Manchurian bean. The increase of passenger traffic is principally among third-class passengers. On the other hand, first and second-class passengers show a decrease. The express train service, including Pullman cars and American dining and observation cars, is maintained for international traffic and is generally run at a loss. Figures for passengers and freight in 1929 were records, but in subsequent years there has been a falling off.

The following table shows in greater detail the activities of the Company in regard to capital investment, passengers and freight, gross receipts and expenditures, and net receipts during the past twenty-four years:

Fiscal Year ending March 31	Length of Lines Open to Traffic Km.	Amount of Investment	Passengers	
			Number	Receipts
1907-8....	1,135.1	¥ 9,099,301	1,512,231	¥ 3,564,239
1912-3....	1,115.3	70,299,781	3,915,822	5,008,633
1917-8....	1,108.7	78,582,598	5,844,929	3,136,707
1922-3....	1,105.8	139,616,304	7,645,053	12,389,464
1927-8....	1,111.8	239,517,926	8,263,089	16,102,953
1928-9....	1,111.8	249,703,229	9,703,119	17,619,293
1929-30....	1,111.8	261,882,378	10,410,579	17,451,585
1930-31....	1,125.1	270,230,961	3,115,808	11,461,175
1931-32....	1,125.1	272,105,357	6,331,760	9,135,663
1932-33....	1,129.1	267,344,520	8,610,159	14,812,045
(690.8 miles)				

	Freight		Total Receipts Yen
	Tons	Receipts Yen	
1907-8.....	1,348,493	6,160,274	9,768,887
1912-3.....	4,247,237	13,913,341	19,907,456
1917-8.....	6,599,133	23,793,056	34,457,923
1922-3.....	10,926,198	69,518,111	87,813,029
1927-8.....	16,717,678	94,040,819	113,244,180
1928-9.....	17,530,324	97,738,147	118,639,090
1929-30.....	18,592,960	101,089,474	122,103,743
1930-31.....	15,193,272	77,936,688	95,330,730
1931-32.....	15,454,213	70,897,756	85,476,298
1932-33.....	16,572,816	85,022,314	103,846,512
Expenditures		Profits	Profit per km. Yen
	Yen	Yen	
1907-8.....	101,615	3,657,272	3,226
1912-3.....	1,846,923	12,060,533	10,804
1917-8.....	1,858,734	23,599,189	21,343
1922-3.....	34,169,285	53,643,744	48,600
1927-8.....	45,235,825	68,008,345	61,170
1928-9.....	44,358,065	74,281,025	56,812
1929-30.....	47,213,508	74,890,235	67,359
1930-31.....	36,768,576	58,562,154	52,190
1931-32.....	37,290,815	48,185,482	42,828
1932-33.....	38,795,847	65,050,665	57,715

The figures in "Profit" of the Railway Account alone much exceed the net profit of the Company, which bears overhead charges, interest on heavy liabilities in the form of debentures, and expenses for education, sanitation and other public works in the Railway Zone.

The Manchukuo State Railways, the operation and management of which have been assigned to the South Manchuria Railway Company, will be treated later in the general chapter on Communications.

Harbour Works

The construction and administration of harbours in most countries are conducted by the Government. At the port of Dairen in the Leased Territory, however, harbour

construction and administration are entrusted to the South Manchuria Railway Company, much as the Great Western Railway Co. carries on similar works at Cardiff, Port Talbot and Barry Docks in Great Britain. But the quarantine administration in Dairen harbour is wholly conducted by the Kwantung Government.

The construction and maintenance of the new harbour at Rashin, Korea, the terminal of the Hsinking-Tumen railway of Manchoukuo, were also entrusted to the South Manchuria Railway Company by the Government of Korea. More details of the construction of this harbour will be given in the Chapter on Harbours.

The history and details of Dairen harbour construction and improvements were fully treated in the previous Report. The Company's investment in the harbour and wharf development at the port up to March, 1933 aggregated more than ¥75,000,000. If expenditure incurred for the improvement of the wharf facilities at Yingkou, Antung, Port Arthur and Shanghai be added, the total investment amounts to over ¥87,000,000.

The progress of the wharfage traffic at the port of Dairen may be gathered from the following table:

Fiscal Year ending March 31	Number of Steamers arriving	Tonnage of Goods		
		Imported Tons.	Exported Tons.	Total Tons
1907-8	1,143	543,583	290,997	834,580
1912-3	1,968	422,182	1,369,436	1,791,618
1917-8	2,072	809,260	2,203,720	3,012,980
1922-3	3,171	656,953	4,777,628	5,394,581
1927-8	4,224	976,775	6,662,480	7,598,755
1929-30	4,912	1,447,359	7,570,377	9,017,736
1930-31	3,811	886,412	5,439,095	6,325,507
1931-32	4,173	874,383	6,480,371	7,354,754
1932-33	4,705	1,465,011	7,203,492	8,668,503

Coal Mines and Iron Works

The most important undertakings of the S.M.R. next to railways are coal-mining and iron-works. The history and details of the Fushun coal-mining and iron-works.

The history and details of the Fushun coal-mines and the Anshan iron-works were fully related in the former Report.

The Company is fortunate in operating a rich coal-bed like that at Fushun, the largest open cut in the world. The coal-bed covers an area of twenty-three square miles and the deposits have been estimated at more than 952,000,000 tons after a careful survey. About 92,000,000 tons have been mined during the last twenty-six years, so that more than 860,000,000 tons of deposits remain. Probably no similar deposit can be found anywhere in the world in such a relatively small area. The Company also operates a coal-mine at Yentai, in which are deposits estimated at 20,000,000 tons.

The annual output of the Fushun mine was about 6,500,000 tons prior to 1927. Mr. Jotaro Yamamoto, a former president of the S.I.R., initiated in 1928 a five year plan as a third stage of mining development. With the completion of this stage the annual output from the Fushun mine is expected to be over 8,000,000 tons in the fiscal year 1933.

The following table in English tons shows the quantity of coal mined and sold:

Fiscal year	ferred from previous year	Quantity trans- ferred	Quan- tity mined	Quantity purchased	Total	Quantity sold
1927-8...	465,672	6,982,870	573,858	7,556,728	7,429,624	
1928-9...	561,172	6,865,220	1,140,217	8,005,437	7,885,866	
1929-30...	622,031	7,032,100	1,110,578	8,142,676	7,991,786	
1930-31...	779,645	6,773,100	913,881	7,686,981	7,259,451	
1931-32...	1,169,843	6,052,900	972,968	7,025,868	7,126,918	
1932-33...	1,063,791	5,723,700	1,077,064	6,800,764	7,441,500	

It is of interest to note the disposal of the coal sold in the past several years as shown in the following table:

		Amount Exported				
Fiscal Year	Amount Sold in <u>Manchuria</u>	South <u>Seas</u>	China <u>Proper</u>	Korea & <u>Formosa</u>	Japan <u>Proper</u>	
1928-29	540,667	191,861	1,137,756	454,983	1,849,427	
1929-30	492,226	223,172	1,268,441	415,309	1,887,287	
1930-31	3,066,992	177,055	1,340,668	414,095	1,712,047	
1931-32	2,736,853	171,076	1,370,740	370,467	1,816,299	
1932-33	3,467,862	177,220	825,215	401,027	1,789,610	

Fiscal Year	Bunker Coal Fur- nished to <u>Steamers</u>	Total
1928-29	711,207	7,885,866
1929-30	705,351	7,991,786
1930-31	538,594	7,259,451
1931-32	617,163	7,125,918
1932-33	724,566	7,441,530

The iron-works at Anshan, producing pig-iron by utilizing local ore of low percentage, was established in 1918. The total deposits in the Anshan vicinity have been estimated at about 400,000,000 tons. But as the ore is mostly poor, containing about 35% to 40% of iron, except a few ores of 50%, the so-called hematite reducing system and the magnetic concentration system, by which the percentage can be increased to 55 on an average, have been adopted. The Company invested up to 1926 ¥45,900,000 in this work. However, owing to the world-wide post-bellum depression, the loss on this enterprise has been continuous.

Mr. Yamamoto, who occupied the presidency of the Company from 1927 to 1929, adopted an optimistic policy on the basis that the annual production should be augmented, while minimizing expenditure as far as possible by cutting the price of coal supplied by the Company and reducing the salaries of the higher employees. On the other hand, the capital stock was reduced from ¥45,000,000 to ¥20,700,000. It was also decided to construct a larger up-to-date blast furnace capable of producing 500 tons per day, in addition to the two blast furnaces maintained before.

Mr. Yamamoto devised a plan in 1929 to set up a steel

using the ore of the Anshan iron mine. The original plan was to expand the pig-iron plant maintained at Anshan. But owing to the apprehension that the export duty on iron and steel products might be increased at any time since China had acquired tariff autonomy, it was proposed that the plant be established at Shingishu, Korea, with an authorized capital of ¥100,000,000. Government approval was obtained on July 4, 1929. The ultimate capacity of the plant will be 500,000 tons of pig-iron, 570,000 tons of steel, 500,000 tons of sheet-iron, and 200,000 tons of sulphate of ammonia. Of the total capital for this enterprise, ¥100,000,000, ¥25,000,000 has already been paid up, and the necessary machinery has been purchased and imported. But owing to the world-wide economic depression, and for other reasons, completion of the plant has been postponed.

Under the present president, Count Hayashi, it was however, decided in October 1933 that the Showa Steel Works should be set up at Anshan, and this corporation has acquired the Anshan plant hitherto maintained by the South Manchuria Railway. Although the Showa Steel Works is an independent corporation in legal status, its whole capital has been supplied by the South Manchuria Railway Company.

Meanwhile, it was reported that this Showa corporation is negotiating to acquire the plant of the Penhsihu Colliery and Iron Works Corporation, in which Baron Okura is heavily interested.

Affiliated Undertakings

Electric plants, gas works, marine transportation, docks, street-car services, and the hotel business, were in the beginning undertaken directly by the Company as activities subsidiary to its main business. When they had made a certain development so that they could carry on independently, the Company took steps gradually to make them separate concerns. Besides these undertakings, the Company is concerned directly or indirectly with industrial and commercial corporations by supplying the whole or part of the capital, in order to encourage industrial, commercial and agricultural development in

Manchuria. The total investment in these affiliated undertakings, and in other associated concerns amounts to some ¥120,000,000.

Public Services in the Railway Zone

While the Government of Kwantung Lensed Territory has extended its police administration and communication undertakings such as, posts, telegraphs and telephones to the Railway Zone, the South Manchuria Railway Company has assumed the responsibility of providing the zone with a part of the local administration relating to educational and sanitary undertakings, town construction and other public works. The South Manchuria Railway invested over ¥180,000,000 in these undertakings up to the fiscal year ending March 31, 1933.

For these public services in education, sanitation, public works, and the encouragement of agriculture and industry, the Company collects house-rents and fees from hospitals, schools, and other sources. Any deficit is defrayed by the Company, and such deficit to-day amounts to more than ten million yen a year.

The following table shows the increase of expenditure on public services in the Railway Zone:

Year	Fees, Rent, etc.	Expenditures	Deficit defrayed by the Company
1907-8.....	120,794	251,006	130,212
1912-3.....	633,211	1,401,012	767,800
1917-8.....	1,930,284	3,538,709	1,267,560
1922-3.....	3,995,249	10,831,559	6,836,410
1927-8.....	6,098,234	19,104,444	13,006,210
1928-9.....	6,230,083	19,425,377	13,195,124
1929-30.....	4,689,833	18,258,736	13,598,503
1930-31.....	4,586,369	15,305,749	10,719,060
1931-32.....	4,488,883	15,366,224	10,877,411
1932-33.....	4,824,183	16,511,465	11,687,282

Of the expenditure for the fiscal year ending March, 1933, amounting to ¥16,511,465, about ¥1,167,642 was allotted to educational expenses, ¥1,876,143 for hospital and other hygienic purposes, ¥2,744,134 for subsidies for local administrative management, and ¥797,385 for the Central

Laboratory. The educational and hygienic work undertaken by the South Manchuria Railway Company will be more fully dealt with later in the general chapters on Education and Sanitation.

SOUTH MANCHURIA RAILWAY CO.

General Balance Sheet
as on
MARCH 31, 1934

ASSETS	Total	A M O U N T Depreciation, Depletion, etc.	Net
SUBSCRIBED CAPITAL STOCK.....	287,792,000.00	0	<u>287,792,000.00</u>
UNCALLED FIXED ASSETS:-			
Railroad and Equipment.....	280,999,887.05	6,752,081.73	274,247,805.27
Hotels.....	5,230,598.77	134,507.99	5,146,390.78
Harbours and Wharves.....	91,245,924.45	1,123,338.71	90,122,085.74
Collieries and Equipment.....	114,984,514.98	5,920,023.99	109,064,490.99
Oil Distillating Plant.....	8,691,487.80	1,183,320.46	7,507,667.32
Blast Furnaces(Iron Works) and Equipment.....	169,249.46	169,249.46	0
Equipment for Local Administra- tion and Exploitation:-			
Land.....	113,887,321.65		
Schools and Hospitals.....	29,368,147.88		
Miscellaneous..	44,246,026.77	187,501,496.30	185,910,448.34
Facilities and Equipment not included in the above:-			
Offices.....	3,596,410.10		
Employees' Dwel- lings.....	44,845,915.05		
Miscellaneous..	19,995,176.46	68,437,501.61	2,494,616.96
<u>Total Fixed Assets.....</u>	<u>757,310,960.42</u>	<u>19,369,167.33</u>	<u>737,941,773.09</u>

ASSETS	Total	A C C U N T		Net
		Depreciation,	Depletion, etc.	
INVESTMENTS:-				
Bonds and Stocks:-				
Imperial Japanese Government Bonds....	2,209,416.00			
Manchoukuo Government Railway Bonds	520,000.00			
Stocks of Subsidiary Companies, and Other Bonds, Stocks, etc.	133,090,779.88	135,820,197.88	2,454,512.39	133,365,685.49
Loans:-				
Loans to Manchoukuo Government Railways.....	140,064,472.00			
Loans to Other Concerns.....	19,374,390.17	159,458,862.17	854,843.31	153,604,018.86
<u>Total Investments.....</u>	<u>203,279,060.05</u>	<u>3,309,355.73</u>	<u>291,969,704.35</u>	

ASSETS	Total	A M O U N T	
		Depreciation, Depletion, etc.	Net
CURRENT ASSETS:-			
Cash in Hand and at Banks.....	41,831,484.19	0	41,831,484.19
Bills Receivable.....	5,436,501.20	0	5,436,501.20
Exchange Accounts.....	18,380.26	0	18,380.26
Accounts Receivable.....	52,581,320.57	0	52,581,320.57
Guaranty Funds.....	14,455.00	0	14,455.00
Collateral Securities, etc....	7,207,670.55	0	7,207,670.55
Due from Other Concerns.....	329,376.89	0	329,376.89
Inventories:-			
Merchandise:-Coal, Iron and			
Other Products.....	3,768,855.15	0	3,768,855.15
Material and Supplies.....	9,959,865.40	0	9,959,865.40
Total Current Assets.....	120,797,909.21	0	120,797,909.21
UNADJUSTED ACCOUNTS:-			
Partial Payments made in Advance.....	66,067,631.19	58,155.67	67,938,875.52
Discount on Bonds.....	12,720,253.92	6,518,694.39	6,207,559.53
Total Unadjusted Accounts.....	81,787,885.11	6,576,850.06	74,206,435.02
TOTAL ASSETS.....	₹1,611,963,214.79	₹29,255,393.09	₹1,612,707,821.70

<u>LIABILITIES</u>	Details	A M O U N T	
			Total
CAPITAL STOCK SUBSCRIBED:-			
Held by the Imperial Japanese Government		400,000,000.00	
	8,000,000 shares		
Held by Public.....	6,000,000 shares	400,000,000.00	
Total.....		800,000,000.00	<u>800,000,000.00</u>
Paid up.....		512,208,000.00	
Balance Uncalled.....		287,792,000.00	
RESERVES:-			
Legal Reserve.....		28,900,000.00	
Special Reserve.....		179,900,000.00	
Total Reserves.....		208,800,000.00	<u>208,800,000.00</u>
BONDS:-			
Issued in Japan.....		377,850,000.00	<u>377,850,000.00</u>
CURRENT LIABILITIES:-			
Bills Payable.....		15,950,000.00	
Accounts Payable.....		22,451,571.13	
Collateral Securities, etc.....		12,350.00	
Guaranty Funds.....		4,480,624.17	
Exchange Accounts.....		103,273.07	
Matured Bonds Unpaid.....		613,100.00	
Due to Other Concerns.....		2,196,192.72	
Total Current Liabilities.....		46,797,026.14	<u>46,797,026.14</u>

		A M O U N T	
	L I A B I L I T I E S	Details	Total
DEPOSITS:-			
Employees' Savings Deposits.....	9,611,290.30		
Employees' Surety Deposits.....	47,716,552.95		
Employees' Mutual Relief Society Deposits....	4,113,039.78		
Subsidiary Companies' Deposits, etc.....	49,276,426.24		
 <u>Total Deposits.....</u>	<u>110,717,309.27</u>		<u>110,717,309.27</u>
 UNADJUSTED ACCOUNTS:-			
Sundry Receipts Unadjusted.....	18,274,210.69		<u>18,274,210.69</u>
 Net Profit for the Year ended March 31, 1934..	42,920,554.16		
Balance brought forward from Previous Year...	7,348,721.44		
 <u>Total.....</u>	<u>50,269,275.60</u>		<u>50,269,275.60</u>
 TOTAL LIABILITIES.....			<u>51,612,707.821.70</u>

L=Loss

PROFIT AND LOSS ACCOUNT

<u>Remarks</u>	<u>Income</u>	<u>Expenditure</u>	<u>Balance</u>
Railroad.....	119,676,741.02	38,069,231.09	81,607,509.93
Hotels.....	2,576,151.16	2,415,479.03	120,672.13
Harbours and Wharves.....	13,022,596.53	8,693,379.68	4,340,216.85
Collieries.....	70,976,032.16	65,898,524.13	5,077,208.03
Oil Distillation.....	5,277,705.67	4,451,589.09	825,516.58
Blast Furnaces(Iron Works)....	3,039,624.73	3,583,945.81	<u>L=</u> 544,321.08
Local Administration and Exploitation.....	6,184,586.61	15,218,965.45	<u>L=</u> 9,034,378.84
Generals.....	10,865,983.62	18,710,197.25	<u>L=</u> 7,844,123.63
Interest.....	16,411,895.82	28,557,966.91	<u>L=</u> 12,146,071.09
Depreciation, Depletion, etc....		19,481,674.72	<u>L=</u> 19,481,674.72
Net Profit.....		42,920,554.16	42,920,554.16
<u>Total</u>	<u>1245,001,717.32</u>	<u>1248,001,717.32</u>	<u>0</u>

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DISPOSITION OF NET PROFIT

<u>Remarks</u>	<u>Net Profit</u>	<u>Disposition</u>
Net Profit for the Year ended March 31, 1934.....	42,920,554.16	
Balance from Previous Year.....	7,348,721.44	
Legal Reserve.....		8,060,000.00
Dividend on Government Stock.....		10,765,618.56
Dividend on Public Stock(8% per annum).....		18,861,497.71
Special Reserve.....		3,000,000.00
Bonuses to Officials.....		400,000.00
Balance carried forward.....		9,182,159.33
<u>Total</u>	<u>50,269,275.60</u>	<u>50,269,275.60</u>

N.B.-The amount of Depreciation, Depletion, etc. has been charged to the following accounts:

Profit and Loss Accounts.....	19,481,674.72
Suspense Accounts.....	<u>9,773,718.37</u>
<u>Total.....</u>	<u><u>29,255,393.09</u></u>

S. S. RAIL

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11/14/34

Bulletin No. 3

MANCHURIA TODAY

FOREIGN TRADE

Dec 1
M.C.
11/14/34

South Manchurian Railway Co.,
Shanghai Office.

November 14, 1934.

Report No. 1

The following is an extract from the "Fourth Report on Progress in Manchuria to 1934" compiled by Dr. Seiji Hisakata, formerly Secretary to President of the South Manchuria Railway Company, and issued by the Company, June 11, 1934.

This Bulletin is designed to review briefly the Foreign Trade in Manchuria especially after the Manchurian Incident.

In compiling previous Reports, the Compiler has employed mainly statistical and other data prepared by the South Manchuria Railway Company, the Zentung Government, the Chinese Eastern Railway and others. After the foundation of the Manchukuo Government, the Statistics Office was established in the Government, and the Compiler obtained from the latter necessary statistics for the newly-compiled Reports.

Shanghai Office,
South Manchuria Railway Company

Bulletin issued:

No.1 "Introduction"

This Bulletin deals with such items as follows:

1. Manchukuo
2. Special Status of Japan.
3. The Manchurian Incident and the League.
4. Japan's Policy after Withdrawal from the League.
5. Peace and Security.
6. The Economic Outlook.
7. Welfare of the Manchukuo People.

No.2 "Japanese Jurisdiction"

This Bulletin deals with such items as follows:

1. General Remarks.
2. The Creation of the "Four-headed System"
a. Japanese Jurisdiction,
b. Chinese Army.
3. The Chinese Government.
4. The Chinese Budget Finances.
5. Japanese Police Administration.
6. Japanese Law Courts.

8. Japanese Postal and Communications Service.
9. Educational, Hygienic and Other Service.
10. The South Manchuria Railway.
11. The S. M. R.'s Organization.
12. S. M. R. Finance.
13. S. M. R. Investments and Accounting.
14. Railway Undertakings.
15. Harbour Works.
16. Coal Mines and Iron Works.
17. Affiliated Undertakings.
18. Public Services in the Railway Zone.
19. S.M.R. General Balance Sheet as on
March 31, 1934.

MANCHURIA TODAY

FOREIGN TRADE

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- P. 3 General Remarks
- P. 5 Trade According to Countries
- P. 6 Trade According to Ports
- P. 9 Trade According to Principal Commodities
- P. 11 Shipping in Manchurian Ports

MANCHURIA TODAY

FOREIGN TRADE

General Remarks

The trade of Manchuria, which maintained an unbroken record of progress up to 1929, fell off in 1930 owing to the world-wide depression, coupled with the ever-falling price of silver which especially affected Far Eastern trade. The trade figures for 1931 and 1932 showed a continued decrease owing to the disturbance of communications occasioned by the Manchurian Incident. However, in 1933, there was a remarkable increase, making a new record specially in import trade. Peace and order having been gradually and steadily established and the new Government's extensive reconstruction programme having been steadily carried into effect with Japanese assistance, the trade of Manchoukuo has assumed a much brighter prospect. Indeed the new trade figures constitute a material proof of the new Government's capable administration.

Reviewing the trade history of Manchuria, it can be said that the Russo-Japanese war, which marked a new epoch in the development of Manchuria, politically and economically, introduced a most radical change in the commercial situation, especially after the opening of Dairen as a free port by Japan. Prior to the Russo-Japanese war, Newchwang was the only port in Manchuria opened to foreign trade. Newchwang and Tientsin were opened at the same time, as early as 1861, and each had a great hinterland of which it was the outlet, but while the trade of Tientsin markedly increased, maintaining a position next to Shanghai, that of Newchwang advanced but slowly, the percentage of this port's trade to China's total trade being less than ten for many years. The position of Newchwang, indeed, handicapped its trade. The port is situated several miles up the Liao River, where the fairway is too narrow to admit of navigation by large steamers, and, what is worse, it is ice-bound during four months in the year. It was the opening of Dairen and other ports that brought about such a stupendous growth of trade as has been experienced in Manchuria. The harbour of Dairen, much favoured by nature, naturally deep, well-sheltered, and free from ice all the year round, was further improved at heavy expenditure; and, as the most important gateway of the South Manchuria Railway, the main line of which traverses the heart of South

Manchuria, Dairen has come to rank as one of the leading ports in the Pacific area.

The supremacy in foreign trade of Dairen, however, did not affect adversely the position of Newchwang, whose trade has increased as a whole, especially in recent years. Nor will the trade ascendancy of Dairen be affected by the more favourable geographical position of the newly opened port, Rashin, which is situated nearer to Japan by about 600 km. Improvement of existing ports and opening other ports will simply enlarge commercial opportunities, inasmuch as Manchurian trade is bound to increase with the country's economic development under the new regime.

The growth of the foreign trade of Manchuria, including trade with China proper, during the past twenty-six years, is set forth in the following table:

	Imports	Exports	Total	Balance
1907.....	30,625,152	22,042,323	52,727,475	8,642,829
1908.....	53,112,034	47,585,123	100,697,157	5,526,911
1909.....	69,159,331	83,026,018	152,185,349	13,866,687
1910.....	81,731,940	88,999,422	170,731,362	7,267,482
1911.....	94,797,846	103,733,492	198,531,338	8,935,646
1912.....	102,232,018	100,166,041	202,398,059	2,065,977
1913.....	125,683,660	113,041,999	238,725,659	12,641,661
1914.....	112,409,981	109,331,936	221,471,917	5,978,045
1915.....	108,111,646	130,084,502	238,196,148	21,072,356
1916.....	129,555,872	130,807,129	260,363,001	1,251,257
1917.....	158,562,010	161,120,501	319,682,511	2,558,491
1918.....	177,219,156	166,856,166	344,075,322	10,362,990
1919.....	231,303,593	212,008,762	443,312,355	19,294,831
1920.....	205,129,156	225,926,429	431,055,880	20,796,978
1921.....	218,187,674	234,407,892	452,595,566	16,220,218
1922.....	196,432,072	274,661,906	471,093,978	78,229,834
1923.....	207,055,228	293,928,940	500,984,168	86,873,712
1924.....	200,643,460	269,018,082	469,666,552	68,369,612
1925.....	244,721,505	312,368,194	557,089,699	67,646,689
1926.....	276,840,619	370,742,398	647,533,017	93,901,779
1927.....	268,913,586	408,036,179	676,949,765	139,122,593
1928.....	302,955,904	434,035,424	736,991,328	131,079,520
1929.....	329,603,869	425,651,491	755,225,360	96,047,622
1930.....	306,354,620	396,714,056	703,068,676	90,359,436
1931.....	218,948,972	463,868,941	692,817,913	254,919,969
1932.....	192,991,900	394,969,070	587,960,970	201,977,170
1933.....	214,540,455	423,326,229	937,860,684	91,214,226

The excess of imports in 1933 is due to steady purchases from Europe, America and Japan of material for constructive activities in Manchoukuo, particularly for building, railway and highway works.

In the above table, it will be seen that the most encouraging aspect of Manchuria's trade is the excess of exports over imports in most years, quite contrary to the trade in China proper, Japan, and Korea, where imports invariably exceed exports. Manchuria has experienced an excess of imports only in those years marked by heavy purchases of rails, building steel, and machinery from America and Europe mostly by the South Manchuria Railway Company for the construction of railways and mines. While the new State continues its construction work and the people gain more purchasing power under the new currency system, the excess of imports will probably continue.

Trade According to Countries

Japan's share of the foreign trade of Manchuria has been larger than that of any other nation for many years. Her share for 1933 was more than half of the total trade of Manchuria, which amounted to 937,867,000 yuan.

When Newchwang was the sole open port in Manchuria, its staple trade was the export of Manchurian beans and bean-cake to the southern provinces of China, where the bean-cake was extensively used as fertilizer for the sugar plantations. Beans were consumed in southern hills for oil extraction, the product being used as a substitute for groundnut oil. The imports at this port were cotton goods of low grade—sheeting and drilts—chiefly from England. Later on, American cheap sheeting and drilts entered into competition with the English product. The trade with Japan was insignificant until after the Sino-Japanese war of 1894-5. Japan gradually became a heavy purchaser of Manchurian beans and bean-cake, and her purchases in 1898 equalled those of all the Chinese provinces. In 1903, the year before the Russo-Japanese war, Japanese purchases exceeded those of China proper, and ever since Japan has been the largest buyer of Manchurian bean products. European countries also became steady buyers of Manchurian beans after the war, the Mitsui firm of Japan having made a trial shipment to Liverpool in 1908.

In spite of the rapid increase of exports of Manchuri-

an products to Japan before the Russo-Japanese war, imports from Japan increased very slowly. In cotton goods, which have always constituted the largest item of Manchurian imports, Japan's share was almost negligible, while the British and American goods enjoyed pre-eminence. In those days, the Japanese infant cotton industry was not in a position to compete with the British, American, or the Indian mills. Japan's strenuous but constant efforts to develop this industry, especially after the Russo-Japanese war, were gradually crowned with success. Furthermore, Japanese cotton mills were able to produce a much cheaper staple by mixing raw materials of American higher grade and those of Indian and Chinese lower grades. Again, Japanese products could be landed in the Manchurian market at much less freight. These original advantages of the Japanese cotton industry, particularly in the Chinese market, could not be offset by the American, English, or even the Indian mills.

Before the outbreak of the European war, the Japanese cotton industry had so successfully competed with its rivals that almost all cotton goods, except the finest kind, were supplied by Japan. The Great War, crippling the cotton mills in Western countries and also ocean transportation, gave Japan indisputable supremacy in this Far Eastern market. The Japanese cotton industry today is so highly organized that its products can successfully compete in almost any part of the world. But it should be remembered that the more Japanese cotton goods are exported to Manchuria or elsewhere, the greater will be the purchase of American and Indian raw cotton by Japan.

With regard to the trade of European countries with Manchuria, that of Germany has developed remarkably in the recent years. In 1933 Germany purchased Manchurian products to the value of 66,357,000 yen, her purchase coming next to that of Japan. Indeed she bought Manchurian products to the value of five times her sales to that country. The trade of Great Britain with Manchuria has shown a tendency to decline in recent years, but this has been made up for by an increased demand for her colonial products, especially Australian flour. In 1933, the trade of the British Empire including India, Hongkong and Australia aggregated 45,936,000 yuan. The trade of the United States including the Philippine Islands has increased since Manchukuo became an independent State, her trade in 1933 amounting to 36,410,000 yuan. Both Great Britain and the United States sold more

than they purchased. The trade of Manchuria according to countries since the year when the Manchurian Incident occurred, is shown in the following table:

1931

<u>Countries</u>	<u>Exp.</u>	<u>Imp.</u>	<u>Total</u>
Japan.....	182,712	94,066	276,778
China.....	147,781	66,296	214,077
Germany.....	5,268	4,884	10,472
Great Britain...	24,696	18,920	43,616
U.S.S.R.....	45,477	14,462	59,939
U.S.A.....	7,344	12,624	20,168
Netherlands.....	45,336	1,217	47,355
France.....	1,523	706	2,239
Italy.....	3,016	643	3,661
Belgium.....	-	-	-
Others	10,182	4,430	14,512
Total.....	473,869	218,948	692,817
(Unit 1,000 yuan)			

1932

<u>Countries</u>	<u>Exp.</u>	<u>Imp.</u>	<u>Total</u>
Japan.....	148,754	112,395	265,149
China.....	108,953	35,236	144,589
Germany.....	47,401	3,699	51,100
Great Britain...	13,122	23,724	37,146
U.S.S.R.....	21,658	4,376	26,034
U.S.A.....	4,505	11,398	15,903
Netherlands.....	7,542	34	7,556
France.....	1,960	667	2,627
Italy.....	1,389	85	1,474
Belgium.....	967	53	1,480
Others	35,736	26	35,762
Total	394,969	192,991	587,960
(Unit 1,000 yuan)			

1933

<u>Countries</u>	<u>Exp.</u>	<u>Imp.</u>	<u>Total</u>
Japan	203,022	335,012	541,034
China.....	55,210	79,812	135,022
Germany.....	66,356	10,455	76,811
Great Britain...	16,087	29,849	45,936
U.S.S.R.....	12,918	7,569	20,487
U.S.A.....	7,414	28,096	36,410
Netherlands.....	9,954	3,749	13,703

1933 (cont.)

Country	Type	1932	Total
France.....	2,007	779	2,267
Italy.....	1,217	1,731	3,244
Belgium.....	1,057	1,291	2,348
Others.....	11,782	12,284	22,066
Total.....	123,327	514,543	957,867

(Unit 1,000 Kwai)

With regard to Manchoukuo's trade with China, the latter has put many restrictions on commercial relations with the new State since the Manchurian Incident of September, 1931. Imports from China have slightly increased but exports from Manchoukuo have considerably decreased.

In the trade with European countries and the United States, although the old supremacy of English and American gold has gone and gradually come to an end, the trade of these two nations has been mostly on the increase in other fields. Imports of machinery and other iron manufactures of England and America have been steadily maintained, especially when the South Manchuria Railway Company completed its varied undertakings in railway, nuclear, coal-mining and iron-works developments, involving heavy investments in rails, rolling stock, and machinery. Manchoukuo today imports more machinery, railway materials, iron manufactures, oils, and woollens, even from Europe and America, for her construction works than ever before.

Trade According to Ports

In the commercial history of Manchuria, the growth of Dairen as a world port and the creation of a great export trade in beans are the outstanding features.

In 1907, when Dairen in the Japanese-Lensd Territory was opened to trade, its position in customs returns was next to Lushunkung. It soon passed Newchwang and has occupied the supreme position since 1910, and its share has been more than 50-70 per cent. of the total Manchuria trade for many years. The returns for 1933 aggregated 957,867,000 Kwai, Dairen's share being as high as 75 per cent. Antung, being the junction of the Antung-Hsüden line and the Harbin-Pingyu, has likewise an importance

year after year. Antung's trade has surpassed that of Hsechowung in every year since 1918 except 1930. While Hsechowung's share in 1933 amounted to 79,035,669 yuan, Antung's share amounted to 106,941,953 yuan.

In North Manchuria, i.e., at Harbin, Manchuli and Suifenho, on the Chinese Eastern Railway, and at Aigun, near the Amur River, commerce was steadily increasing before the European War. The aggregate trade of these towns amounted to 54,771,117 Tls. in 1913. But as a result of the war, and later the Russian political disturbances in Siberia and North Manchuria, the trade gradually decreased until it was only 20,000,000 Tls. in 1922. After peace and credit were restored in North Manchuria, conditions in this region improved. The returns for Harbin, Manchuli, Suifenho, and Aigun in 1927 aggregated 96,860,000 Tls. or 14 per cent. of the total Manchurian trade of that year. Their trade was again affected by the Sino-Soviet dispute over the Chinese Eastern Railway in 1929 and by the Manchurian Incident in 1931, and has fallen off ever since, amounting to only 20,562,496 Tls. in 1933.

Formerly, Lungchingtsun and Hunchun near the Korea border chiefly conducted the trade with Korea. The Manchukuo Government transferred the Customs House at Hunchun to Tumen in August 2, 1933 after the Hsinking-Tumen Railway was opened to traffic. Simultaneously, the Shemaktsun branch office of Nenkiang Customs House was promoted to the status of an independent Customs House. After the Jehol expedition was completed, the Manchukuo Government formally opened a Customs House at Jehol in June, 1930. Jehol's share of trade for 1933 amounted to about 3,140,000 yuan, of which 2,336,000 yuan represented imports from China, and that of Tumen amounted to about 0,196,000 yuan, including 4,832,000 yuan for 4 ports from Korea. The tables following show the growth of Manchurian trade according to ports:

1908

	Imports Tls.	Export Tls.	Total Tls.
Dairen.....	20,276,349	12,841,258	33,117,907
Newchwang.....	21,827,510	19,848,245	41,676,055
Antung.....	3,692,452	4,352,901	8,051,352
Lungchingtsun.....	"	"	"
Hunchun Tumen since 1907.....	"	"	"
Harbin District in- cluding Manchuli, Sifanghe and Xigun	7,315,123	10,536,719	17,852,442
Shankhikwan.....	"	"	"
Jehol.....	"	"	"
Grand Total....	53,112,634	47,585,123	100,697,157

1932

	Imports Tls.	Export Tls.	Total Tls.
Dairen.....	20,276,349	261,507,249	414,542,003
Newchwang.....	14,712,097	55,016,774	70,528,221
Antung.....	14,653,784	42,513,601	57,777,385
Lungchingtsun.....	2,107,024	1,315,171	4,198,025
Hunchun Tumen since 1933.....	529,819	1,125,083	1,653,839
Harbin District in- cluding Manchuli, Sifanghe and Xigun	7,030,242	21,724,363	28,754,605
Shankhikwan.....	"	"	"
Jehol.....	"	"	"
Grand Total....	192,991,900	864,652,178	557,644,078

1933

	Import Tls.	Export Tls.	Total Tls.
Dairen.....	382,089,169	314,513,240	703,503,418
Newchwang.....	29,966,063	42,910,434	72,876,569
Antung.....	61,246,293	45,611,331	106,857,933
Lungchingtsun.....	9,935,875	2,316,190	12,251,069
Hunchun Tumen since 1933.....	"	"	"
Harbin District in- cluding Manchuli, Sifanghe and Xigun	"	1,364,733	6,125,089

Siifenho and ... in	7,667,265	12,899,230	20,362,495
Shanhaikwan.....	5,424,251	3,694,655	9,118,914
Jehol.....	2,336,160	102,730	4,22,855
Grand Total...514,540,455	423,326,229	937,366,684	

Trade According to Principal Commodities

As already stated, the most significant feature of Manchurian trade in 1933 was the excess of imports over exports contrary to previous years. The marked increase of imports was due to the activity of the new Government in construction work and the increase of purchasing power of the people in general.

The exports of Manchuria are chiefly agricultural produce, as is the case with Korea and Shantung Province, China, although the export of mineral products, especially coal and iron, shows a tendency to increase. Beans and their products, beancake and bean-oil, today command the world's markets. For many years these exports have constituted more than half of the total exports of Manchuria. The total exports in 1933 amounted in value to 423,326,000 yuan, of which 241,000,000 yuan, or over 56 per cent. of the amount, represented the value of beans, beancake and bean-oil. Japan became the heaviest purchaser of these products after the Sino-Japanese war. Since the Mitsui firm made the first considerable trial shipment to England in 1908, the consumption of Manchurian beans and bean-oil has increased in European countries and to some extent in America. Great Britain, Netherlands, Italy, Germany, France, Denmark, and other purchasers consume in the aggregate as much as Japan. But while Europe has bought more beans, more beancake is exported to Japan. Of the agricultural products, the export next in importance to beans is millet. For 1933 this trade, which was chiefly with Korea, was valued at as much as 14,745,000 yuan. Of the export of kaoliang, valued in 1933 at 6,948,-000 yuan, about half of it in value went to China proper. With regard to mineral products, the export value of coal was 47,379,000 yuan, about half of which went to Japan proper, Korea and Formosa, and the rest to China, the Philippines and other countries. The exports of pig-iron, ~~porcupine~~-iron and other iron were valued at 10,546,000 yuan, of which Japan purchased more than 78 per cent.

A remarkable increase in imports, such as cotton goods, wheat-flour and sugar in 1933 compared with previous years.

indicates the increase of purchasing power of the Manchoukuo people brought about by thorough reform of the former chaotic currency system and good administration steadily carried out under the new regime. Including cotton yarn, valued at 21,649,000 yuan, the total imports of cotton goods aggregated 99,668,000 yuan, or more than 19 per cent. of the whole import trade for 1933. Cotton goods were imported chiefly from Japan, and cotton yarn came from Chinese ports. Artificial silk amounting to 12,553,000 yuan was principally imported from Japan. The imports of sugar amounted to 16,955,000 yuan against 7,827,000 yuan in 1932. Next to cotton goods, imports of flour record the significant figure of 58,882,000 yuan, of which Australian flour represented more than 40 per cent., against 16,129,000 yuan in 1932. As the Manchoukuo Government is steadily carrying on its constructive work particularly in regard to government buildings, railway extensions and highway construction, the imports of iron materials, locomotives, rails, timber and cement exhibited a marked increase in 1933.

The following table shows the principal imports and exports for 1933, according to commodities.

PRINCIPAL COMMODITIES OF EXPORT AND IMPORT FOR 1933.

<u>Exports</u>	<u>yuan</u>	<u>Imports</u>	<u>yuan</u>
Soya Beans.....	165,607,844	Raw Cotton.....	11,046,028
Bean-cake.....	57,614,313	Cotton Goods.....	76,019,141
Bean Oil.....	17,932,531	Cotton Yarn.....	21,649,077
Shale Oil.....	1,295,718	Wool and Woollen Goods.....	13,903,758
Millet.....	14,745,699	Silk Yarn and Silk Goods.....	3,913,956
Coal and Coke.....	47,379,303	Artificial Silk and Goods.....	12,553,271
Kaoliang.....	6,248,417	Gunny Bags for Grain Packing....	16,991,772
Seeds.....	22,652,603	Iron, Steel-bars and Other Metals.	12,262,554
Raw Silk (Wild).....	6,471,126	Building Construc- tion Materials...	3,057,702
Salt.....	3,562,315	Machinery and Tools.....	9,515,064
Pig Iron and Kent- ledge.....	1,446,843	Rails.....	8,997,741
Leather, Hides and Skins.....	3,157,444	Locomotives and Tramcar Motors...	10,306,022
Wood, Lumber and Sleepers.....	2,371,092		
Animals and Ani- mal Products.....	5,637,561		
Others.....	23,953,920		
Total.....	423,326,229		

<u>Imports (cont.)</u>	<u>Yuan</u>
Motor-cars and Accessories.....	6,751,214
Electric Wires and Other Copper Goods.....	5,052,116
Kerosene Oil.....	5,010,478
Gasoline, Benzine etc.....	5,004,426
Lumber and Railway Sleepers.....	5,250,765
Comet.....	5,320,133
Books, Paper and Paperware.....	10,152,613
Sugar.....	10,000,804
Wheat Flour.....	58,570,946
Fruit and Vegetables.....	10,010,748
Tobacco-Cigarettes, Cigars, Leaves.....	12,475,994
Wine, Beer, Sake etc.....	5,051,193
Others.....	144,849,932
 Total.....	 514,510,455

Shipping in Manchurian Ports

Shipping in the principal Manchurian ports, Dairen, Newchwang and Antung, has made steady progress during the last sixteen years. In 1913, one year before the European war broke out, steamers and sailing vessels engaged in foreign and coastal trade aggregated about 7,000,000 tons. The total fell off to about 4,500,000 tons in 1917, owing to the world-wide shortage of bottoms during the European war. There was a quickened increase after the war, and the total reached 16,350,472 tons in 1929, but decreased to 14,750,575 tons in 1930 and further decreased in 1931 and 1932 owing to the Manchurian disturbance. However, shipping, although much cleared, in 1933 was augmented to 17,047,900 tons due to the growth of foreign trade in Manchuria. If vessels shipping transit cargoes of North Manchurian products at Vladivostok were added the total would be much greater.

Shipping activities in Manchuria in 1933
according to flag of owner of the vessels

Flag	Total from January		Cleared	
	Entered	Tons	Entered	Tons
Manchukuo....	99	12,588	117	7,318
Wantung.....	1,173	1,697,356	1,224	1,778,166
Japanese.....	1,242	519,776	1,21	3,624,254
Chinese.....	1,492	1,133,919	1,479	1,153,466
Russian.....	9	10,904	3	2,379
British.....	394	990,973	368	910,544
French.....	-	-	-	-
German.....	73	299,795	74	295,969
Belgian.....	-	-	-	-
Dutch.....	27	165,208	39	162,608
Danish.....	22	94,500	23	100,753
Finnish.....	-	-	-	-
Swedish.....	13	46,585	11	39,171
Norwegian.....	49	140,892	47	137,72
Italian.....	12	40,890	12	40,446
Greek.....	6	18,720	6	17,729
American.....	52	212,121	51	211,868
Panamanian....	1	4,154	1	4,154

Total from January
to December...5,394 8,456,400 5,394 8,591,502

620
23/1/35
Bulletin No. 5

MANCHURIA TODAY

AGRICULTURE

5/1/35
S5,
South Manchuria Railway Co.,
Shanghai Office.

January 11, 1935.

Please keep.
Oto 23/1/35. WKG

MANCHURIA TODAY

AGRICULTURE

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MANCHEURIA TODAY

AGRICULTURE

(Being an extract from the "Forth Report on Progress in Manchuria to 1934")

General Features

Many parts of the vast territory of Manchuria are favoured with rich soil, the development of which, however, was neglected for many decades. The fame of Manchuria was established in the political and diplomatic sense in connection with the Sino-Japanese war, Russian railway penetration and the Russo-Japanese War. But its agricultural destiny was not generally realized until the South Manchuria Railway, running through the valley of the Liao River, brought large supplies of Manchurian beans to Dairen, whence they were shipped to the markets of Europe. Japan purchased a greater proportion of the agricultural produce of Manchuria than China proper, or any Western country, after the Sino-Japanese War. Indeed, Manchurian produce today constitutes an important part of the national foodstuffs of Japan and of the raw material for her industries.

Under these conditions, the Chinese farmers should have enjoyed a high degree of prosperity; but the fact is that they suffered heavily under the military autocracy of the Chang family, who not only neglected to develop the country but had recourse to the issue of worthless paper money and forced farmers to accept this in exchange for their products, the fruit of their labour.

The new Government of Manchoukuo are encouraging agricultural improvement by developing extensive transportation facilities and by reforming the chaotic currency, both of which, it is hoped, will enable the farmers to recover their prosperity. The ten year economic reconstruction programme formulated by the Government on March 1, 1933, states that inasmuch as "agriculture is the mainstay

of Manchoukuo's national economy, proper guidance and encouragement should be given to cultivation of main agricultural produce by improving their qualities and increase their output."

This ten year programme also provides for exploitation of mines and forests and development of industry and declares that the present total production of the country, amounting to 3,000,000,000 yuan, will be doubled in less than ten years.

Agricultural Resources

The extensive area of arable land in Manchuria is the most important resource for agricultural development. In the five provinces of Manchoukuo the cultivated area is estimated at about 37,000,000 acres, and more than the same amount is awaiting cultivation. The greater part of the arable land in Heilungkiang, Kirin and Fengtien Provinces is fertile. On the other hand, many parts of the land in Hainingan and Jehol Provinces contain more alkali. The greater part of Heilungkiang Province and the northern part of Kirin Province have generally rich soil and are largely virgin. As these regions are sparsely populated, there is plenty of room for immigrants. According to the ten year economic reconstruction programme, the Government are contemplating river improvements and irrigation work to protect cultivated land and to render waste land suitable for cultivation. With the land and cadastral survey work completed, land ownership will be established, and thereby the evils which attend the unscrupulous annexation of land will be prevented. The Government are also contemplating special arrangements for the cultivation of untilled land, and within fifteen years about 12,500,000 acres (or 5,000,000 cho) of it will be developed by agricultural settlers. The following table shows the dislocation of arable land and the extent to which it has been cultivated:

Arable Land

Provinces & Districts	Cultivated land (Hectares)	Waste land (Hectares)	Total
Fengtien.....	4,673,930	1,725,720	6,399,650
Kirin.....	5,218,610	5,673,190	10,891,800
Heilungkiang in- cluding Hsingan.	4,075,880	8,801,930	12,877,810
Jehol.....	1,710,000	1,580,000	3,290,000
Kwantung Leased Territory and the Railway Zone of S. M. R.....	204,990	-	204,990
Total.....	15,883,410	17,780,840	33,664,250

More than 3,000,000 families in Manchoukuo are engaged in agriculture. The former Chinese settlers, now Manchoukuo subjects, are most capable farmers, especially in upland cultivation, while Korean immigrants are ideal cultivators of paddy-fields. The Mongols, who predominate in Hsingan Province and in a part of Jehol Province, are ideal live-stock raisers. Japanese farming settlers, possessed of skilled labour and capital, have now full opportunities for participating in agricultural development in Manchuria, as the door is open to them under the present regime, which recognized the Japanese treaty right of leasing land by the Japanese-Manchoukuo Protocol signed in September, 1932 and the Provisional Registration Law promulgated on June 14, 1933. As the Manchoukuo Government are encouraging the immigration of qualified persons, the farming population in Manchuria, Chinese, Japanese and Koreans, should increase considerably in future.

Agricultural Produce

The principal agricultural products of Manchuria are the world-known soya bean and kaoliang, the staple food of the native. These two are followed by millet, maize (Indian corn), wheat, barley and rice. Among other products are hemp, flax, ramie, tobacco, cotton and wild silk cocoons. Cattle, horses, donkeys, mules, sheep, goats and hogs are the most important live-stock.

The annual production of cereals in Manchuria, estimated at about 404,000,000 bushels in 1915, has gradually increased in recent years and was estimated at as much as 770,000,000 bushels or over 18,400,000 metric tons in 1931. Owing to the extensive flood disaster in North Manchuria and to the disturbance of the Manchurian Incident, the annual return for 1932 fell off by about 3,000,000 metric tons. However, there was a normal harvest in 1933, during which total farm production was estimated at 18,192,000 metric tons. The following table shows more particulars of the grain produce in 1933, estimated by joint investigation of the Manchoukuo Government and the South Manchuria Railway Company:

	Area of Crops (Hectares)	Estimated Crop (metric tons)	Compared with	
			1932	(metric tons) -
Soya beans.....	3,986,480	5,216,340	(+)	943,450
Other beans.....	324,020	327,100	(+)	49,430
Kaoliang.....	2,661,110	4,190,720	(+)	461,360
Millet.....	2,393,750	3,312,090	(+)	696,720
Maize.....	1,095,790	1,849,430	(+)	307,580
Wheat.....	1,377,660	1,592,010	(+)	453,920
Rice.....	79,200	160,360	(+)	50,570
Upland rice.....	103,690	147,480	(+)	10,170
Miscellaneous... ..	1,219,200	1,832,740	(+)	282,350
Total.....	13,240,900	18,628,270	(+)	3,265,550

The Manchoukuo Government are contemplating various measures for augmenting grain products and improving their quality. The South Manchuria Railway Company since its establishment has participated in improving farm products in Manchuria particularly soya beans, wheat, live-stock and others. The ten year programme of economic reconstruction formulated by the Manchoukuo Government declares:

"Proper guidance and encouragement will be given to the cultivation of soya beans, kaoliang, millet and maize, which constitute the staple products of Manchoukuo, so as to improve their qualities and increase their output."

It further provides that the Government will encourage local farming communities to create a system of agricultural association for the better disposal of their

products and to obtain credit facilities for the improvement thereof.

Soya Beans

The story of the Manchurian bean which today not only commands a world market but constitutes a part of the Japanese national food supply and important raw materials for her industry is a striking romance in economic history. The Japanese, though naturally regretting the loss of Liaotung, the "legitimate fruit" of the Sino-Japanese war, found some compensation in the discovery of the Manchurian bean which revolutionized the fertilizer industry and became a substitute in the Japanese rice-fields for the dry-herring fertilizer then extensively used. Ever since, the Japanese have been the heaviest purchasers of the Manchurian bean. The demand in Europe for soya beans is considerable. The first trial shipment was made in 1908 by the Mitsui firm of Japan, being sent from Dairen to Liverpool, and this was the beginning of a new industry in England, Germany, Denmark and Holland. The major portion of the beans destined for Europe was for the mills at Liverpool and Hull, England; at Copenhagen, Denmark; and at Rotterdam and Amsterdam, Holland. Germany's consumption subsequently became greater than all, and this, though interrupted during the European war, is recovering. At the time of the universal shortage of food during the Great War, the Manchurian bean also played a very important part in the world's food supply.

The demand for the Manchurian bean is ever-increasing. Beans and bean-cake imported by Japan, as foodstuff or fertilizer, are today helping in the solution of the national food problem. In England, Germany, Holland, and Denmark, the bean oil is extracted and used in manufacturing margarine, soap, etc., while the residue is extensively used as feed for live-stock. Beans can be grown in the central and northern parts of the temperate zone, in which lie North America, the northern part of Japan, Korea, and North China. That the Manchurian beans have come to occupy such an enviable position is due entirely to the suitability of Manchuria for bean cultivation, in regard to both climate and soil, and to the abundant supply of

cheap labour in the region. The average production per acre in Manchuria is 20.4 bushels, while it is 16.6 bushels in Japan, 13.2 in the United States, 10.5 in Korea, and 15.8 in China proper. The aggregate return of the world's annual production was estimated in 1930 at 351,000,000 bushels, of which Manchurian produce amounted to 202,000,000 bushels, or 59 per cent. of the total. While here production in other parts of the world is more or less declining, production in Manchuria is increasing every year.

Kaoliang, Millet, etc.

Kaoliang, millet and maize are the chief foodstuffs of the inhabitants of Manchoukuo. Kaoliang, or sorghum, being not only the staple food of the native population but the principal grain food of numerous animals engaged in farm work, the major portion of the cultivated land of Manchuria has been devoted for centuries to the cultivation of this grain, and its production, until fifteen years ago, surpassed even that of the celebrated Manchurian bean. But the tremendous growth of demand for beans in the world market caused bean cultivation gradually to encroach on the premier position held by kaoliang, and today the land for kaoliang cultivation has been reduced to about half of that for beans. Less than ten per cent. of the annual production of kaoliang is sold outside Manchuria. The export of this product in 1933 amounted to about 6,136,363 piculs, 60 per cent. of which went to China proper and 40 per cent. to Japan and other countries. This cereal is largely used in China for foodstuffs, spirit distilling, and cattle-feed. There is a growing importation of kaoliang into Japan, where it is used as raw material for foodstuff manufacture, especially cornstarch, and as live-stock feed.

Next to kaoliang, millet is now the most important crop, producing 3,144,000 metric tons or 128,305,142 bushels, every year, of which about 2,803,882 piculs were exported in 1933, almost entirely to Korea. Korea, notwithstanding a deficient rice supply, exports rice to Japan proper to the amount of 21,000,000 bushels, and imports Manchurian millet and the cheaper grade of Indo-

China rice as a substitute for the rice deficit. Just as the Manchurian bean and bean-cake, exported to Japan as foodstuffs and fertilizers, are today assisting in the solution of the national food problem in Japan, so Manchurian millet affords the same relief to Korea.

Wheat

Manchuria produces about 60,000,000 bushels of wheat but imports foreign wheat or flour to the same amount or more. The prospects for wheat raising are very promising, particularly in North Manchuria where the soil and climatic conditions are more favourable. By the ten year programme of economic reconstruction, the Government expect to increase the area of wheat cultivation to 2,300,000 cho (47,500,000 acres) and the annual production of this grain to 20,000,000 koku (400,000,000 bushel). Indeed, wheat cultivation which can be carried on in zones as high as Latitude 60° has a better prospect in Manchuria than cotton or rice cultivation which requires a much more temperate zone.

Staple Products for Industrial Raw Material

Manchuria produces hemp, wild silk, cotton, tobacco and other raw materials of manufacturing industry. Cultivation of sugar-beet and hops is also promising. The growing of these staple products will also be encouraged by the Government "for the betterment of agricultural enterprises and the prosperity of the farmers," as provided in the ten year programme of economic reconstruction.

With regard to cotton, the ten year programme states:

"The area for the cultivation cotton will be increased to 300,000 cho, (cho=2.45 acres) and the annual output of ginned cotton to 150,000,000 kin (kin=1.33 pounds).

The world cotton cultivation zone is generally understood to be below Latitude 37°. Manchuria lies above this zone, yet the southern part of Manchuria today produces about 32,000,000 pounds of cotton. The districts along

the South Manchuria Railway produce this crop in about equal proportions.

Wild cocoon culture for making Tussah, the wild silk peculiar to South Manchuria, is rather promising. The southern part of Fengtien Province, in particular, the so-called Liaotung Peninsula, is noted as the most flourishing centre of this industry, Antung and Kaiping being the principal distributing markets. No reliable statistics are available concerning wild cocoon production. The annual output in Fengtien and Kirin Provinces is estimated at from 8,000,000,000 to 10,000,000,000 cocoons, valued at about \$25,000,000. The wild raw silk alone exported in 1933 was valued at \$9,471,000.

Live-Stock

As stated in previous Reports, the Manchurian and Mongolian natives being originally hunting tribes, their chief industry was live-stock farming, specially horse breeding. With the entry of the Chinese, the rich pastoral lands were gradually put under the plough, particularly in South Manchuria. Yet, today, a shadow of the old pastoral age is visible in Hsingan and Jehol Provinces, where the inhabitants are still devoted to cattle breeding. Chinese farming settlers in Manchuria, moreover, generally keep a number of oxen, horses, mules and donkeys for breeding, farming and transport. Sheep and pigs are also extensively raised in Manchuria and Inner Mongolia.

The total live-stock in Manchukuo at present is estimated at about 20,000,000 heads--cattle 2,700,000, horses 3,600,000, sheep 4,900,000, swine 9,800,000. As the native live-stock, however, is of inferior breed, which lowers its value as an economic resource, the ten year programme of economic reconstruction provides the following measures for its improvement:

1. "The existing breed of horses will be improved upon by introducing Arabs and Anglo-Arabs and other superior strains, as a result of which at least 2,000,000 select heads are to be obtained.

2. Merino will be introduced to improve the existing stock of sheep, and at least 4,000,000 of the present species are to be replaced by the improved variety.

3. Cattle of superior quality will be increased by selecting at least 2,700,000 heads.

4. Hogs will be improved chiefly by introducing Berkshire, and their production will be increased to meet home consumption.

5. A system of live-stock hygiene will be established so as to contribute to the stabilization of the stock raising industry and increase live-stock resources.

6. Pastures will be improved to increase the number of domestic beasts."

Model Farms

Farming methods in Manchuria changed little during many centuries. The native farmers are slow in selecting better seeds or seedlings, improving the method of manuring, breeding improved cattle or reclaiming virgin lands.

Since the Japanese advent in Manchuria, most energetic steps have been taken to improve agriculture by the establishment of model farms, live-stock breeding stations and seedling nurseries in the Railway Zone and the Leased Territory. These undertakings for wider distribution of improved seeds and seedlings and advanced breeding, conducted by the S. M. R. and the Kwantung Government, were fully treated in the previous Reports. This stimulated the Chinese in some degree even under the former regime, and agricultural experimental farms have been established in the suburbs of Mukden, Kirin and Tsitsihar, where provincial governments are located. Chinese schools of agriculture were also established in Mukden and Kirin, in addition to a botanical garden and seedling station in Mukden. But most of these organizations were left in a neglected condition. The Manchoukuo Government, immediately